

DECISIONS
OF THE
RAILROAD COMMISSION

OF THE
STATE OF CALIFORNIA

VOLUME XIII

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CALIFORNIA RAILROAD COMMISSION
DECISIONS.

DECISION No. 4223.

JOHN E. TSARNAS

VS.

NORTHWESTERN PACIFIC RAILROAD COMPANY.

Case No. 1033.

Decided April 3, 1917.

Complainant petitions the commission to compel defendant railroad company to pay him, as reciprocal demurrage, the sum of \$1,552.00 on delayed shipments of wood.

1. When a railroad company uses every available effort to secure all cars possible and distributes them ratably without discrimination among shippers along its lines, it can not be held responsible for failure to promptly furnish cars sufficient to satisfy all demands.
2. When a railroad company is facing a shortage of cars and furnishes shippers a style of car suitable for their needs, though it may not be the particular kind of equipment preferred by the shippers, the carrier can not be held responsible therefor.

Charles Kasch, for Complainant.

Stanley Moore, for Defendant.

LOVELAND and DEVLIN, *Commissioners*.

OPINION.

Complainant is in the fuel wood business at Willits, California. By complaint filed January 5, 1917, he alleges that in conformity with section C of rule 13 of Pacific Car Demurrage Tariff No. 2-E C. R. C. No. 7, a reciprocal demurrage bond was executed and filed with defendant and that during the months of September, October and November, 1916, defendant failed to furnish cars for consignments of wood at various points on its line. We are asked to award reciprocal demurrage in the sum of \$1,552.00 as reparation.

Statement attached to and made part of the complaint shows that, due to the car shortage, consignments of wood were delayed, as follows:

Destination	Cars
Vallejo -----	1
Tiburon -----	6
Oakland -----	38
San Francisco -----	20
Berkeley -----	2
Petaluma -----	3
	<hr/> 70

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The statement also indicates the number of days cars were overdue and the amount of reciprocal demurrage claimed in connection with each separate order, but it is unnecessary to here set forth details of the different transactions.

Section C of rule 13, Car Demurrage Tariff No. 2-E, upon which complainant relies for an award of reparation, reads:

"Any carrier that fails to place cars under the provisions of this rule, shall pay to the shipper \$3.00 per day for the number of cars in the shipper's order not so placed, until such time as such shipper's order shall be filled, unless released at the shipper's request; provided, however, that any shipper who desires to take advantage of this rule must file with the carrier from whom he desires to order cars a good and sufficient bond in the sum of twenty (20) dollars, if he desires to order but one car, and fifteen (15) dollars for each additional car. This bond shall be security for the payment on behalf of the shipper to the carrier for the use of any car or cars ordered by such shipper which shall be set out by the carrier and not used by the shipper, at the rate of \$3.00 per day, computed from the time the car is set out. Each carrier shall furnish, on request of any shipper, and shall keep at all of its agency stations, blank forms of bonds, as prescribed in the appendix to this order, for the purposes herein set out."

The testimony submitted by complainant is devoted principally to explaining the filing of bonds and car orders, the location of the wood, method of loading and unloading onto cars and the objections of certain consignees and also of complainant to the use of the gondola cars offered by the defendant.

Complainant submitted as exhibits three indemnity bonds, the first executed under date of September 20, 1916, for a period of thirty days, the second on October 19, 1916, for thirty days and the third on December 5, 1916, for a term of six months.

Cars were principally loaded at nonagency stations and were ordered through the agent at Willits, many of the requisitions being first telephoned and afterwards confirmed in writing by complainant, but upon this point there is no controversy, defendant admitting that proper orders had been received. About 40 per cent of the consignments were destined to local stations on defendant's rails, the balance going to off-line points.

Complainant urges that he could not use gondola cars to advantage because of the difficulty and expense incurred in loading the cars and, for the further reason, that some customers found it inconvenient to unload gondolas, therefore objected to their use.

A representative of a San Francisco wood firm testified on behalf of complainant and submitted as evidence copy of a letter written to com-

plainant dated December 1, 1916, wherein the following language is used:

“* * * as we have quite a lot on hand for the present, *and as said before*, ship us only two cars per week, have them a day or so apart, when they all come together we generally have to pay demurrage on one or so cars, * * *. Also we would request you to ship us wood only in box, flat or stock cars, because it takes two men to unload those gondolas * * *.”

The communication would indicate that this particular firm did not suffer because of the car shortage.

A statement rendered by the Car Demurrage Bureau shows that this firm during the months of September, October and November, 1916, received from complainant 31 carloads of wood, including five gondolas. During the same period of time it received from two other shippers located on defendant's rails 15 cars of wood, from six different stations, seven of which were gondola cars, thus indicating that gondolas were freely used for wood shipments to San Francisco.

Defendant, in its answer, denies that bonds were filed to cover all cars ordered and avers complainant refused to accept suitable and proper equipment tendered, also that the delays in furnishing the cars were due to causes entirely beyond its control.

The bonds heretofore referred to, filed September 20 and October 19, 1916, each for 30 days, covered the period of time involved in these proceedings, with the exception of cars ordered and not furnished subsequent to November 19, 1916. Therefore only 11 days of the time involved are not covered by a reciprocal demurrage bond.

Much of defendant's testimony was in substantiation of the claim that gondola cars were tendered for the consignments and that such cars were adequate for the transportation of cord wood.

The chief train dispatcher of the Northwestern testified as follows:

“Q. Now then, you distributed, did you not, the cars in question here and for this territory on the southern division?

A. Yes, sir.

Q. And I will ask you to state whether or not you repeatedly communicated with Mr. Nelson upon the proposition of Mr. Tsarnas accepting gondola cars?

A. I did.

Q. If there is no objection, I would just like to read into the record these different messages. I think I can save time by asking him the blanket question, or perhaps you can read the writing better than I can, Mr. McMullan.

A. Here is a wire on the seventh of October, ‘Received 26 empty gondolas from S. P. today. Do you want that many a day. S. P. will keep sending them until advised to stop.’ That is addressed jointly to Mr. Nelson and Mr. Hunter of the northern division.

Q. By whom was that wire sent?

A. By Mr. Neff, the superintendent.

Q. That is October 7; isn't there a wire there of September 20—well, that has already been read?

A. Yes, sir.

Q. That is in evidence, the one about 25 gons. going up there, that has already been in evidence, so you can go ahead and read any others there are there.

A. Here is one on October 2, 'Did you place cars on order 723. How about gons. for Tsarnas, can you fill some of your orders for lumber, bark and wood with the gons., take a few each day from those that are billed to northern division.'

Q. Now did you receive any wire back from Mr. Nelson with respect to that matter of Tsarnas taking gons.?

A. Here is the answer to it, 'Order 723 filled with A. T. 56,591 this a.m. Tsarnas advised several days ago couldn't use gons., will try him again as soon as possible and see if can get him to use gons. Will also see other wood shippers and advise.'

Q. Yes, sir, did you receive any further—

A. On the ninth, a message to Mr. Hunter, copy to Nelson, 'S. P. delivered us 35 gons. and 8 flats at Shellville, Sunday, extra will leave Tiburon at one p.m. today and pick up these empties for Willits.'

Q. Any others?

A. One to Williams the superintendent Oakland Pier, 'Received 35 gons., at Shellville Sunday. Please do not deliver more than 15 gons. any day. Would like to get some empty boxes.'

MR. GEARY: What is the date of that?

A. That is on the ninth of October. He was giving us too many at a time, we couldn't use them, that is, we couldn't use so many per day. We were running about 15 a day and we wanted an average of 15 instead of sending us an extra supply at any one day.

MR. MOORE: Who is Mr. Williams as referred to in that message that is sent to him at the Oakland Pier?

A. He is the superintendent of the S. P. We order the cars through him.

Q. As a matter of fact if Mr. Tsarnas had been willing to have accepted gons., could you have supplied him with gons. without running into this demurrage period?

A. Yes, sir, I could."

The testimony of other witnesses for defendant on this phase of the case was to the effect that gondola cars were freely used for cordwood and, in some cases, demanded by the shipper.

The commission February 28, 1916, and again November 6, 1916, issued circular letters addressed to all shippers and receivers of freight, calling attention to the then existing car shortage and appealing to all concerns to cooperate in an effort to minimize the difficulty. In those

circulars we referred to paragraph (b) of rule No. 3, General Order No. 41, effective January 1, 1915:

“Whenever it shall appear to the satisfaction of the commission that the failure of a railroad to furnish a car or cars for loading within the time fixed by these rules, or the failure of the shipper or consignee to load or unload the same was due to causes beyond the control of such carrier, shipper or consignee, no payment shall be required to be made on account of such delay.”

The testimony indicates that defendant, in good faith, distributed whatever cars it could secure without discrimination and that it tendered to complainant gondolas, which class of cars was used by other shippers, not only for the transportation of cordwood, but also for other forest products, such as ties, split stuff, grape stakes and shingles. While complainant no doubt may have experienced some difficulty in using gondola cars it does not appear, under the circumstances, that he was justified in refusing to accept the only cars available.

While carriers can reasonably be expected to provide and maintain equipment sufficient to supply maximum demand under ordinary conditions even of heavy movement such as may be expected to and does usually occur annually at the time crops are being moved, during periods of unprecedented car shortage, especially where such shortage is due to causes beyond the control of the carriers, as at the present time, shippers should be willing to contribute to the relief of the situation by recognizing the efforts of carriers to provide the best equipment available even though the use of such equipment entails some inconvenience.

In view of all the facts appearing in this case it is our opinion that the failure of defendant to furnish the particular kind of equipment *preferred* by complainant was due to causes beyond the control of defendant, and that under the circumstances complainant should have accepted gondola cars as other shippers did.

We submit the following form of order:

ORDER.

The above-entitled case having come on regularly for hearing and the commission being duly advised in the premises,

It is hereby ordered that said complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of April, 1917.

DECISION No. 4224.

IN THE MATTER OF THE APPLICATION OF NATOMAS WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF CERTAIN PROMISSORY NOTES.

Application No. 2779.

Decided April 3, 1917.

Applicant authorized to issue \$92,000.00 face value of its 6 per cent promissory notes for a term of not to exceed one year, such notes to be used for the purpose of refunding 12 certain outstanding notes of a like face value, provided that such notes may be issued for shorter terms and again renewed by applicant, provided the period of initial issue and renewals does not exceed one year.

Charles W. Slack, for Applicant.

By THE COMMISSION.

OPINION.

This is an application of Natomas Water Company for authority to issue ninety-two thousand dollars (\$92,000) face value of 6 per cent (6%) promissory notes for a term of one (1) year or less for the purpose of renewing a like amount of one-day notes now outstanding and held by Natomas Company of California.

A hearing in this matter was held at Sacramento on March 22, 1917, and testimony taken by Examiner Eneell.

Natomas Water Company, the applicant herein, was incorporated March 18, 1912, for the purpose of taking over the public utility business of Natomas Consolidated of California, the latter company at that time being engaged in extensive reclamation, irrigation and mining operations in the Sacramento Valley. Applicant sells water for mining, irrigation and domestic purposes in El Dorado and Sacramento counties. Its source of supply is the south fork of the American River, water being diverted at what is known as the Salmon Falls dam. A considerable portion of applicant's canal system was constructed in the early fifties for the purpose of supplying water to mining enterprises and to settlers for irrigation and domestic purposes. Applicant's principal source of revenue is from water sold to Natomas Company of California for dredge mining purposes. It also supplies about 1,300 acres, representing thirty or forty consumers, with water for irrigation purposes. In addition, it distributes water for domestic uses in the town

of Folsom, Sacramento County. The following is a table showing the various sources of applicant's revenue during the past four years:

Year	Irrigation	Domestic	Dredge mining	Total
1913 -----	\$6,849 94	\$1,094 50	\$19,514 95	\$30,459 39
1914 -----	5,344 40	6,030 73	22,327 15	33,702 28
1915 -----	6,773 50	4,628 50	14,411 90	25,813 90
1916 -----	6,877 51	4,735 55	17,307 98	28,921 04
Totals -----	\$25,845 35	\$19,489 28	\$73,561 98	\$118,896 61

Natomas Water Company has an authorized capital stock issue of \$5,000,000.00, divided into 50,000 shares of the par value of \$100.00 per share. All of this stock is outstanding and, with the exception of directors' shares, is owned by Natomas Company of California. Applicant has no preferred stock and has executed no mortgages upon its properties. At the time of incorporation certain of the properties of applicant were subject to the deed of trust of Natomas Consolidated of California. In 1914 this trust deed was foreclosed and the property purchased by Natomas Company of California. Subsequently, the latter company reconveyed the property to Natomas Water Company, together with certain additional property needed for extensions. Applicant stated at the hearing that its property is now free and clear of encumbrance. Applicant has no note indebtedness, except the \$92,000.00 face value of notes which it desires to renew under the application now before the commission. Its only other indebtedness consists of current accounts payable, which on December 31, 1916, amounted to \$1,516.17. The following is a balance sheet as of December 31, 1916, showing applicant's condition as of that date as reported on applicant's books, and also a comparative income account for the past five years showing applicant's earnings and expenses for that period:

Balance Sheet—December 31, 1916.

<i>Assets.</i>	
Fixed capital—installed prior to January 1, 1913 -----	\$5,006,700 86
Fixed capital—installed since December 31, 1912 -----	93,984 62
Cash and deposits -----	1,793 03
General cash -----	\$1,783 03
Special deposits (State Compensation Insurance Fund) -----	10 00
Accounts receivable -----	3,590 74
Natomas Company of California -----	\$1,783 49
Miscellaneous -----	1,807 25
Prepaid taxes -----	105 48
	<hr/>
	\$5,106,174 73

Liabilities.

Capital stock	\$5,000,000 00
Notes payable—representing advances from Natomas Company of California for construction, equipment and betterments	92,000 00
Accounts payable—audited vouchers and wages unpaid	1,516 17
Natomas Company of California	\$1,323 57
Miscellaneous	192 60
Casualty and insurance reserves	1,282 83
Hospital fund prior to January 1, 1915	\$687 83
Hospital fund, 1915-1916	127 33
Accident prior to January 1, 1914	464 21
Accident (State Compensation Insurance Fund)	3 46
Corporate surplus unappropriated	11,375 73
	<hr/> \$5,106,174 73

*Income Accounts.**Years Ending December 31, 1912, to 1916, Inclusive.*

	1912	1913	1914	1915	1916
Operating revenue	\$26,397 61	\$30,459 39	\$33,702 28	\$25,813 90	\$28,921 04
Operating expenses	10,423 40	8,913 82	9,825 72	10,189 08	11,394 69
Net operating revenue	\$15,974 21	\$21,545 57	\$23,876 56	\$15,624 82	\$17,526 35
Miscellaneous additions			19 05		
Gross income	\$15,974 21	\$21,545 57	\$23,895 61	\$15,624 82	\$17,526 35
Deductions—					
Interest	\$76 67	\$2,547 43	\$6,553 75	\$6,666 88	\$6,115 62
Miscellaneous		*1,048 97	665 85	18 97	35 00
Total deductions	\$76 67	\$3,596 40	\$7,219 60	\$6,647 91	\$6,150 62
Balance to surplus	\$15,897 54	\$17,949 17	\$16,676 01	\$8,976 91	\$11,375 73

*Organization expense 1912.

In the application now before the commission, Natomas Water Company asks authority to issue to Natomas Company of California its promissory notes bearing interest at 6 per cent per annum for a term of one year or less for the purpose of renewing the following notes now outstanding:

Original payee	Date	Amount	Original rate, per cent	Maturity of term
Natomas Consolidated of California..	Jan. 31, 1913	\$6,000 00	7	1 day
Natomas Consolidated of California..	Mar. 4, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 1, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 5, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 26, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	May 3, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	May 28, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	June 30, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	Jan. 28, 1913	12,000 00	7	1 day
Natomas Consolidated of California..	Jan. 26, 1915	15,000 00	7	1 day
Natomas Consolidated of California..	Feb. 27, 1915	1,000 00	7	1 day
Natomas Company of California.....	Jan. 27, 1916	8,000 00	6	1 day
Total		\$92,000 00		

The interest rate on the above notes was originally 7 per cent per annum, but in 1915 it was reduced to 6 per cent. Applicant states that the proceeds from these notes were used entirely for capital expenditures, principally for additions and betterments to its canal system. The following is a statement submitted by Natomas Water Company showing fixed capital installed for the period from December 31, 1912, to December 31, 1916:

Fixed Capital Installed for the Period.

December 31, 1912, to December 31, 1916.

Transmission mains, account.	
C11a real estate and property rights -----	\$245 09
C11b Natoma ditch or canal -----	76,863 31
C11d Blue Ravine pump -----	120 13
C11e New York Ravine syphon -----	4,766 32
Distribution mains, account.	
C12a Folsom ditch -----	1,468 74
C12b Folsom reservoir -----	4,882 66
C12c Folsom water works -----	1,771 63
C12d Valley ditch -----	1,784 16
Interest during construction, Account C20 -----	1,505 28
Land devoted to water operations, Account C5 -----	553 30
General office equipment, C18a -----	24 00
Total December 31, 1916 -----	\$93,984 62

It appears that during the past five years applicant has declared a dividend each year equal to the entire amount of its surplus earnings. The total amount of these dividends for this period is \$70,875.36, as shown by the following table:

Year	Per cent per share dividend	Amount
1912 -----	.3179508	\$15,897 54
1913 -----	.3589834	17,949 17
1914 -----	.3335202	16,676 01
1915 -----	.1795382	8,976 91
1916 -----	.2275146	11,375 73
	5)1.4175072	5)\$70,875 36
Average for 5 years -----	.2835014	\$14,175 07

At the hearing applicant's attention was called to the fact that during this period of time no effort was made to reduce its note indebtedness. Applicant's principal source of revenue, as heretofore stated, is from the dredge mining operations of Natomas Company of California. Applicant states that long before these dredging operations are discontinued, its irrigation business will have increased sufficiently to take care of any loss in earnings. This expectation may not be realized at as early a date as expected by applicant and proper provision should be made for such a contingency.

While no valuation of applicant's plant and system has been submitted in connection with this application, there appears to be no doubt that the property and earnings of Natomas Water Company are sufficient to warrant the granting of this petition as applied for, subject, however, to the terms of the following order:

ORDER.

Natomas Water Company having applied to this commission for authority to issue ninety-two thousand dollars (\$92,000) face value of 6 per cent (6%) promissory notes to refund a like amount of notes now outstanding and held by Natomas Company of California, and a hearing having been held and it appearing to this commission that the money to be procured by such issue is reasonably required for the purposes hereinafter specified and that said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

It is hereby ordered that Natomas Water Company be and it is hereby authorized to issue to Natomas Company of California ninety-two thousand dollars (\$92,000) face value of 6 per cent (6%) promissory notes for a term not exceeding one (1) year, subject to the following conditions:

1. The notes herein authorized to be issued shall be issued for the sole purpose of refunding the following promissory notes now outstanding:

Original payee	Date	Amount	Original rate, per cent	Maturity of term
Natomas Consolidated of California..	Jan. 31, 1913	\$6,000 00	7	1 day
Natomas Consolidated of California..	Mar. 4, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 1, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 5, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	Apr. 26, 1913	5,000 00	7	1 day
Natomas Consolidated of California..	May 3, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	May 28, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	June 30, 1913	10,000 00	7	1 day
Natomas Consolidated of California..	Jan. 28, 1913	12,000 00	7	1 day
Natomas Consolidated of California..	Jan. 26, 1915	15,000 00	7	1 day
Natomas Consolidated of California..	Feb. 27, 1915	1,000 00	7	1 day
Natomas Company of California.....	Jan. 27, 1916	8,000 00	6	1 day
Total		\$92,000 00		

2. The notes herein authorized to be issued may be issued in such denominations as applicant desires, provided the total principal sum does not exceed the amount herein authorized.

3. If applicant so desires it may issue the notes herein authorized to be issued for a term less than one year and may renew or refund said notes without further authority from this commission, provided that the combined term of any note and the renewals thereof shall not exceed one year.

4. Natomas Water Company shall keep separate, true and accurate accounts relative to the issue of the notes herein authorized to be issued; and on or before the twenty-fifth day of each month Natomas Water Company shall make verified reports to this commission in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

6. The authority herein granted shall apply only to such notes as shall have been issued on or before April 1, 1918.

Dated at San Francisco, California, this third day of April, 1917.

DECISION No. 4225.

IN THE MATTER OF THE APPLICATION OF LINDSAY TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE SALE OF TWO THOUSAND TWO HUNDRED DOLLARS OF ITS SERIES B BONDS.

Application No. 2802.

Decided April 3, 1917.

Applicant authorized to issue \$2,000.00 face value of its 6 per cent bonds to be sold at not less than 93, proceeds to be used partly for new equipment, the balance for additions and betterments to system.

A. M. Robertson, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Lindsay Home Telephone and Telegraph Company for an order authorizing it to sell \$2,200.00 face value of its "Series B" 6 per cent bonds at 93, for the purposes hereinafter specified.

A public hearing was held at Lindsay, Tulare County, on March 27, 1917, before Examiner Baneroft.

On August 28, 1916, this commission, by Decision No. 3602, authorized Lindsay Home Telephone and Telegraph Company, under Application No. 2324, to execute a mortgage or deed of trust of all of its property to Bank and Trust Company of Central California to secure a bonded indebtedness of \$15,000.00 face value of serial 6 per cent bonds of \$100.00 each, maturing from 1919 to 1933, inclusive, and to issue and sell \$7,800.00 face value of said bonds at not less than 93 per cent of their face value, for the purposes of refunding certain notes and of providing funds for changing its magneto equipment to a common battery equipment.

On December 13, 1916, in a supplemental order under said Application No. 2324, by Decision No. 3927, the commission authorized Lindsay Home Telephone and Telegraph Company to provide in its deed of trust that \$7,800.00 face value of bonds, designated as "Series A" bonds, should mature serially from 1919 to 1933, inclusive, while the remaining \$7,200.00 face value of bonds, designated as "Series B" bonds, should mature in 1933. Under authority of Decision No. 3602 (supra) applicant has issued and sold all of its "Series A" bonds, and it now desires to sell \$2,200.00 face value of its "Series B" bonds at 93 and to use the proceeds for the following purposes:

To Western Electric Company for amount due on additions to applicants' equipment in 1916 -----	\$185 64
To pay Kellogg Switchboard and Supply Company for additions to equipment in 1916 -----	289 83
First payment on building to be occupied by applicant -----	500 00
To readjust cables and open-wire leads -----	1,070 53
Total -----	<u>\$2,046 00</u>

Applicant has made arrangements to sell to Bank and Trust Company of Central California at 93 all the bonds which it is requesting authority to issue under this application.

Since the filing of the application the company had to make its first payment on its new building, the money therefor being advanced by Mr. Robertson, the company's president, upon a one-day promissory note. Of the item for readjusting cables and open wire leads, it appears that approximately \$400.00 will be used for needed leads and that approximately \$670.00 will be used for readjusting and installing new cables into applicant's new building. In this connection, A. M. Robertson, applicant's president, testified that old cables and material standing on the books of the company at approximately \$400.00 would have to be discarded, the junk value of which would be approximately \$150.00. Under these circumstances, as the commission suggested at the hearing, applicant should apply \$250.00 of its operating revenue to writing off this difference between the book value and the junk value of this material.

Applicant submitted a statement showing its total capital stock to consist of \$25,000.00 face value of common stock, all of which was issued prior to the creation of the Railroad Commission, and its total outstanding funded indebtedness to consist of its issue of \$7,800.00 of "Series A" 6 per cent bonds, its only other indebtedness outside of current bills for supplies and materials being \$185.00 due Western Electric Company and \$289.83 due Kellogg Switchboard and Supply Company.

Mr. Robertson testified that applicant had been paying \$30.00 per month rental for its present quarters, that the landlord notified the

company that its rent would be increased to \$35.00 per month and later to \$40.00 per month; that the new one-story brick building which applicant is buying covers a lot 30 by 50 feet with sidewalk and street work installed; that the lot was valued at \$2,000.00 and that the building actually cost \$2,079.00. The building was built by the owner of the lot and the company is buying the improved premises under a contract price of \$4,000.00, paying \$500.00 down and the balance in monthly installments of \$40.00 each, which includes interest at the rate of 7 per cent upon the unpaid balances. Under all the circumstances we are of the opinion that the application should be granted, subject to the conditions and modifications set forth in the following order:

ORDER.

Lindsay Home Telephone and Telegraph Company having applied to the Railroad Commission for authority to issue and sell \$2,200.00 face value of its "Series B" bonds and a public hearing having been held and the commission finding that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in this order and that such purposes are not in whole or in part reasonably chargeable to operating expenses or income, and that the application should be granted subject to the modifications and conditions hereinafter set forth,

It is hereby ordered that Lindsay Home Telephone and Telegraph Company be and the same is hereby authorized to issue and sell 20 of its "Series B" 6 per cent bonds of the face value of \$100.00 each. The authority herein granted is granted upon the following conditions and not otherwise:

1. Lindsay Home Telephone and Telegraph Company shall issue said bonds so as to net said company not less than 93 per cent of the face value of the principal thereof in addition to accrued interest.

2. The proceeds of the bonds herein authorized to be issued shall be applied substantially as follows:

To pay amount due Western Electric Company -----	\$185 64
To pay amount due Kellogg Switchboard and Supply Company ----	289 83
To pay note of applicant to A. M. Robertson for money advanced for first payment on new building -----	500 00
To pay for readjustment and installation of new cables and wire leads -----	820 53
To be retained in applicant's treasury and not to be used except for future additional capital expenditures -----	64 00
Total -----	\$1,860 00

3. The authority herein granted to issue said bonds shall apply only to such bonds as shall have been issued and sold on or before September 30, 1917.

4. Applicant shall report to this commission, within thirty (30) days after the issue of the bonds herein authorized, the face value of the

bonds so issued, the net amounts received therefor and the disposition of the proceeds thereof, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. This order shall not become effective until applicant has paid the fee specified in section 57 of the Public Utilities Act.

Dated at San Francisco, California, this third day of April, 1917.

DECISION No. 4226.

GILROY CHAMBER OF COMMERCE

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 982.

Decided April 3, 1917.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 4023, dated January 16, 1917, directed the defendant, Southern Pacific Company, to present to this commission for its approval, plans for a passenger depot to be built at Gilroy and within six (6) months after the approval of such plans by this commission, erect a passenger depot of lath and plaster, or of concrete, hollow tile, or of some similar class of construction and of such style, type and design as shall be approved by this commission; and

Whereas the defendant, Southern Pacific Company, has filed under date March 29, 1917, its drawing No. 1319 showing suggested floor plan and sketch showing track and street elevation of passenger station to be erected at Gilroy,

It is hereby ordered that the floor plan as shown by drawing No. 1319 and the sketch showing track and street elevation of passenger station to be erected at Gilroy in accordance with this commission's Decision No. 4023, dated January 16, 1917, be and the same hereby are approved.

Dated at San Francisco, California, this third day of April, 1917.

DECISION No. 4227.

IN THE MATTER OF THE APPLICATION OF LAWRENCE LEO JOHNSON
FOR AN ORDER AUTHORIZING THE SALE OF A WATER PLANT,
PIPE LINE AND DISTRIBUTION SYSTEM TO IDA JANE BARNETT.

Application No. 2746.

Decided April 6, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Applicants in this proceeding having advised this commission that the description of a certain tract of land upon which is located a pumping plant was erroneously noted in exhibits "A" and "B" in the application (which exhibits embrace a form of a lease to be entered into between Mrs. L. S. J. Riley and Ida Jane Barnett and a form of a grant deed conveying the water system to Ida Jane Barnett), and it appearing that the correct description of the land to be leased should read as follows:

"One acre of ground in a square form situated near the northwest corner of the northwest quarter of the northeast quarter of the southeast quarter of section twelve (12), in township twenty-nine (29) south, range twenty-seven (27) east, M. D. M.",

It is hereby ordered that the description of the land heretofore appearing in exhibits "A" and "B" attached to the application be changed and read as first above outlined.

The foregoing supplemental order is hereby approved and ordered filed as the supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of April, 1917.

Decisions Nos. 4228, 4229, 4230, 4231, 4232 and 4233, grade crossings; not printed.
See end of volume.

DECISION No. 4234.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AUTHORITY TO CANCEL REFERENCE NOTE CIRCLED 2 IN CONNECTION WITH ITEM 970-A, 972-B, 974-B, OF LOCAL JOINT AND PROPORTIONAL FREIGHT TARIFF No. 730, C.R.C. No. 1632, APPLYING ON PACKING HOUSE PRODUCTS IN REFRIGERATOR CARS FROM SAN FRANCISCO, SOUTH SAN FRANCISCO AND INTERMEDIATE POINTS TO SANTA CRUZ, SACRAMENTO, FRESNO, SAN FRANCISCO, OAKLAND, SAN JOSE AND INTERMEDIATE POINTS.

Application No. 2628.

Decided April 7, 1917.

Applicant applies for permission to cancel notation affecting items covering packing house products South San Francisco to San Francisco, Oakland, San Jose, Santa Cruz, Sacramento and Fresno, such notation reading, "will apply on shipments under ice in refrigerator cars, but does not include the cost of refrigeration," and it appearing that the commission has heretofore required defendant to amend its tariffs to provide, "that refrigeration rates * * * are not applicable to shipments preiced by shippers and not reiced in transit," so that no increases will be brought about by the proposed change, as all shipments moving between above points are preiced. Application granted.

George D. Squires, for Applicant.

Arthur B. Roehl, of *Sanborn & Roehl*, for Western Meat Company, Protestant.

L. A. Bailey, for C. Swanston & Son, Intervener.

BY THE COMMISSION.

OPINION.

This is an application by the Southern Pacific Company for an order authorizing the cancellation of Reference Note Circled 2, in connection with Item 970-A, 972-B, 974-B and 975-B of Local, Joint and Proportional Freight Tariff No. 730, C.R.C. No. 1632.

A public hearing was held in San Francisco January 25, 1917, before Examiner Bancroft, at the close of which the application was submitted upon briefs to be filed by applicant and by protestant. These briefs having been filed, the matter is now ready for decision.

The Western Meat Company, shippers of fresh meat and other packing house products, from South San Francisco, appeared as protestant, while C. Swanston & Son, shippers of the same commodity, from Sacramento, were permitted to intervene. All parties stipulated that applicant's petition in Application No. 1878, decided March 14, 1916 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 334), and the testimony in relation thereto, together

with the records and exhibits in Case No. 997, *C. Swanston & Son vs. Southern Pacific Company* (Decision No. 4123, dated February 21, 1917), might be received in evidence in the present proceeding.

The purpose of this proceeding is substantially the same as that of Application No. 1878 (*supra*), in which applicant sought permission under section 63 of the Public Utilities Act to cancel Note Circled 2, in connection with Items Nos. 970-A, 972-B, 974-B and 975-B of its Local, Joint and Proportional Freight Tariff No. 730, C.R.C. No. 1632, applying on packing house products in refrigerator cars from South San Francisco to San Francisco, Santa Cruz, Sacramento, Fresno, Oakland and San Jose. This note reads:

“Will apply on shipments under ice in refrigerator cars, but does not include the cost of refrigeration, exception to Rule 13.”

The former application was apparently made upon the theory that the rates from South San Francisco created unreasonable discrimination as against shippers located at Sacramento and other points. The conditions under which shipments of packing house products move from South San Francisco are set forth in the opinion in Application No. 1878 (*supra*), which opinion should be read in connection with this opinion.

When the matter was originally before the commission it was stated, in both applicant's and protestant's briefs, that the cancellation of Note No. 2 would result in a charge for refrigeration service, in addition to the regular freight rate, of \$5.00 per car on shipments from South San Francisco to San Francisco, Oakland, San Jose and Sacramento, and of \$10.00 per car on shipments to Santa Cruz and Fresno. The commission in rendering its decision, followed the pleadings and dismissed Application No. 1878 without prejudice.

Subsequent to the filing of the present application, the case of *Swanston & Son vs. Southern Pacific Company*, No. 997 (*supra*), was heard and decided. In that case, complainant, a wholesale butcher, who had been shipping meat in carload lots in refrigerator cars under ice, from Sacramento and Swanston to San Francisco, Oakland and Stockton, alleged that since March 15, 1915, the shipments had been subject to an additional charge of \$5.00 per car for refrigeration service, although no icing or inspection in transit had been requested. Relief was sought from the imposition of the additional charge in the future and for reparation of the amounts collected thereunder since March 15, 1915.

The commission, after an extended hearing and the consideration of briefs filed by the respective parties, held that this additional charge of \$5.00 per car was not only discriminatory and in violation of section 17 of the Public Utilities Act, but also that where shipments

such as those in question move in cars preiced by shippers, with instructions not to reice en route, no refrigeration is performed by the carrier for which it is entitled to make an additional charge; that, therefore, the charges in Refrigeration Tariff are not applicable, but instead, such traffic is subject to section 3 of Rule 29 of Current Western Classification No. 54, C.R.C. No. 143, which provides that no charge will be made for transportation of the ice in bunkers of cars.

The circumstances under which the shipments of packing house products move from South San Francisco are substantially the same as those under which the consignments move from Swanston; in each case the cars are fully preiced by the shipper and are transported to their respective destinations without further attention, the bills of lading carrying a notation to the effect that the cars are fully iced by shipper and require no reicing in transit.

In its closing brief in the present proceeding applicant suggests, among other matters, that although it was held in the Swanston case (*supra*) that Rule 29 of the Western Classification governs Southern Pacific Tariff No. 711, this rule might not apply to the shipments between South San Francisco and San Francisco under Tariff No. 730, inasmuch as such shipments move under a commodity rate of 2½ cents per 100 pounds, while the Swanston shipments move under a third-class rate. The third-class rate from South San Francisco to San Francisco is 6 cents per 100 pounds.

This contention can not be sustained, for Local, Joint and Proportional Freight Tariff No. 730, C.R.C. 1632 (Commodity Rates), is governed, as per its title page, by the rules of Western Classification and of the Exemption Sheet exactly as is Local Freight Tariff No. 711, C.R.C. 1515 (Class Rates).

In the Swanston case (*supra*) it was held that under application of Rule 29, current Western Classification, the rates in carrier's Refrigeration Tariff are not applicable to shipments of this nature and it was there announced that:

“Defendant should so amend its Refrigeration Tariff 810 as to make it perfectly clear that the refrigeration rates named therein are not applicable to shipments preiced by shippers and not reiced in transit, moving under Rule 29 of the Western Classification.”

In view of this decision, it is clear, as above suggested, that no increase would be brought about by the proposed change, and with this understanding, we are of the opinion that the application should be granted.

ORDER.

Southern Pacific Company having applied under section 63 of the Public Utilities Act for authority to cancel Note Circled 2, published in connection with Items Nos. 970-A, 972-B, 974-B and 975-B of its

Local, Joint and Proportional Freight Tariff No. 730 (C.R.C. No. 1632), applicable to packing house products from South San Francisco to San Francisco, Oakland, San Jose, Santa Cruz, Sacramento and Fresno, and a public hearing having been held and the commission being fully apprised in the premises, and basing its order upon the findings of fact set forth in the foregoing opinion,

It is hereby ordered that the application be granted.

Dated at San Francisco, California, this seventh day of April, 1917.

DECISION No. 4235.

IN THE MATTER OF THE APPLICATION OF FRESNO CANAL AND LAND COMPANY FOR AUTHORITY TO SELL, AND OF FRESNO CANAL AND LAND CORPORATION FOR AUTHORITY TO PURCHASE, CERTAIN PROPERTIES; AND THE APPLICATION OF FRESNO CANAL AND LAND CORPORATION TO ISSUE ITS CAPITAL STOCK OF THE PAR VALUE OF ONE MILLION DOLLARS AND ITS BONDS OF THE FACE VALUE OF SIX HUNDRED THOUSAND DOLLARS.

Application No. 2727.

Decided April 7, 1917.

Supplemental order approving stipulation filed by Fresno Canal and Land Corporation whereby it agrees to assume all liabilities and obligations of Fresno Canal and Land Company, also approving proposed mortgage of former named company.

THELEN, *Commissioner.*

SECOND SUPPLEMENTAL ORDER.

In Decision No. 4086, dated February 7, 1917, this commission authorized Fresno Canal and Land Corporation to acquire certain properties in Fresno and Kern counties from Fresno Canal and Land Company and to issue \$1,000,000.00 par value of stock and \$600,000.00 face value of bonds. Among other things, the commission's order provided that the authority given to Fresno Canal and Land Company to convey its property to Fresno Canal and Land Corporation should not become effective until Fresno Canal and Land Corporation should have filed with the Railroad Commission a stipulation duly authorized by its board of directors agreeing that Fresno Canal and Land Corporation, its successors and assigns, would assume all liabilities and obligations of Fresno Canal and Land Company, and should have secured from the Railroad Commission a supplemental order reciting that such stipulation in form satisfactory to the commission had been filed.

On March 22, 1917, Fresno Canal and Land Corporation filed with this commission a stipulation, duly authorized by its board of directors, agreeing for itself and its successors and assigns to assume all of the

liabilities and obligations of Fresno Canal and Land Company, both as to any indebtedness of said Fresno Canal and Land Company which may be outstanding at the time of the execution and delivery of the mortgage or deed of trust authorized by the commission and as to the duties of Fresno Canal and Land Company to the public under the laws of the state of California as a public utility.

The commission's Decision No. 4086 also provided that the authority given to Fresno Canal and Land Corporation to issue bonds should not become effective until Fresno Canal and Land Corporation should have secured from the Railroad Commission a supplemental order reciting that a proposed deed of trust or mortgage in form satisfactory to the commission had been filed. On March 22, 1917, Fresno Canal and Land Corporation filed with this commission a proposed mortgage or deed of trust which has been marked "Exhibit 6, amended." This deed of trust is substantially in the form of petitioner's Exhibit No. 6, which is described in Decision No. 4086. It differs principally in the sinking fund provision, which now provides for the payment to the trustee:

"* * * annually, on the first day of February in each year until and including the year 1922 (commencing for the first of said payments on the first day of February, 1918) a sum of money equal to two per centum (2%) of the amount of bonds face value outstanding at the time of such payments, not less however for any one year than the sum of twelve thousand dollars (\$12,000) nor more than the sum of fifty thousand dollars (\$50,000); provided, however, that during said period of five (5) years the corporation, if funds therefor shall be available over and above said minimum payment of twelve thousand dollars (\$12,000), may pay a dividend not exceeding one per centum (1%) of the amount of its capital stock then issued and outstanding; it being understood that commencing with the first day of February, 1918, the corporation will pay annually to the trustee for such sinking fund all of its net revenue for the twelve (12) months next preceding over and above the amount of the dividend so declared and over and above the amount necessary to pay interest on the bonds outstanding up to the full amount of fifty thousand dollars (\$50,000) not less, however, as above provided for any one of such payments than the sum of twelve thousand dollars (\$12,000). Thereafter commencing with the first day of February, 1923, the corporation will pay annually to the trustee for such sinking fund all of its net revenue for the twelve (12) months next preceding over and above the amount necessary to pay interest on the bonds outstanding up to fifty thousand dollars (\$50,000), not less, however for any one of such payments than the sum of twenty thousand dollars (\$20,000) nor less than three and one-third per centum ($3\frac{1}{3}\%$) of the amount of bonds face value outstanding at the time of such payments."

A further modification in this trust indenture has been made by the addition of a clause giving the holders of more than fifty per cent in amount of the outstanding bonds the right to direct and control the action to be taken by the trustee in case of default.

I am of the opinion that the stipulation and mortgage or deed of trust above referred to are in proper form and should be approved, and I accordingly submit the following form of order:

SECOND SUPPLEMENTAL ORDER.

Fresno Canal and Land Corporation having filed with this commission for its approval in accordance with the terms of Decision No. 4086, dated February 7, 1917, a stipulation agreeing to assume all of the liabilities and obligations of Fresno Canal and Land Company and a mortgage or deed of trust proposed to be executed as security for \$1,000,000.00 face value 6 per cent gold bonds, and it appearing to this commission that said stipulation and mortgage or deed of trust are in proper form and should be approved,

The commission hereby finds as a fact that the stipulation filed in this proceeding on March 22, 1917, by Fresno Canal and Land Corporation agreeing to assume for itself and its successors and assigns, the liabilities and obligations of Fresno Canal and Land Company, is in form satisfactory to this commission and that it complies with paragraph "b" of section 3, of this commission's order in Decision No. 4086, dated February 7, 1917.

The Railroad Commission hereby finds as a fact that Fresno Canal and Land Corporation has filed a copy of its proposed mortgage or deed of trust in form satisfactory to this commission in compliance with paragraph "c" of section 3, of this commission's order in Decision No. 4086, dated February 7, 1917.

The foregoing second supplemental opinion and second supplemental order are hereby approved and ordered filed as the second supplemental opinion and second supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of April, 1917.

DECISION No. 4236.

IN THE MATTER OF THE APPLICATION OF JEAN H. BAKEMAN FOR AN ORDER AUTHORIZING THE CONVEYANCE OF THE MELVIN PLACE WATER PLANT, LOS ANGELES COUNTY, TO MELVIN PLACE WATER COMPANY.

Application No. 2753.

Decided April 7, 1917.

Jean H. Bakeman authorized to transfer public utility property known as Melvin Place Water Plant to the Melvin Place Water Company, and the latter company authorized to issue in exchange therefor \$13,000.00 face value 7 per cent promissory notes and \$5,000.00 par value of stock.

Eugene A. Holmes, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

This is an application by Jean H. Bakeman for authority to sell, and of Melvin Place Water Company for authority to buy, a water plant and system located at Ninety-sixth street and Moneta avenue, just outside the city limits of Los Angeles.

The original application filed herein contemplated the issue by Melvin Place Water Company of \$20,000.00 face value of bonds and \$22,000.00 par value of stock in exchange for the water utility properties owned by Mrs. Bakeman.

Since the hearing, and based upon the report of the commission's engineers as to the value of the property, the company has amended its petition and now asks leave to issue a three-year 7 per cent mortgage note for \$15,000.00 and \$5,000.00 par value of stock in exchange for the property.

Melvin Place Water Company was incorporated under the laws of the state of California in January, 1917. It has an authorized capital stock issue of \$40,000.00, divided into 40,000 shares of the par value of \$1.00 each, of which three shares have been issued for the purpose of qualifying directors. The company has no property and no indebtedness.

The water system proposed to be transferred was acquired on June 1, 1910, by one E. W. Payne from a corporation known as the "Home Builders."

By Decision No. 272, dated October 14, 1912 (Vol. 1, Opinions and Orders of the Railroad Commission of California, page 727), Mr. Payne was given authority to transfer said property to William E. Ball for the sum of \$22,500.00.

By a supplemental order issued February 7, 1913, Decision No. 450 (Vol. 2, Opinions and Orders of the Railroad Commission of California, page 172), Home Builders corporation was granted authority to join with E. W. Payne in the sale of said property to William E. Ball.

By Decision No. 1447, dated April 16, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of the State of California, page 798), William E. Ball was given authority to transfer said property to Jesse S. Harker for a ranch in Madera County.

In Decision No. 4037, dated January 20, 1917, Jesse S. Harker and Edna M. Harker were given authority to transfer said property to Jean H. Bakeman, the present owner, in exchange for 520 acres of land in Juab County, Utah.

At the present time this system is serving approximately 170 consumers with water. For the year ending December 31, 1916, Mrs. Bakeman reports that the total receipts and expenditures were as follows:

Total receipts -----	\$2,771 34
Total expenditures -----	298 52
Net revenue -----	\$2,472 82

The amount charged to expenses represents an expenditure of \$254.20 for power, \$6.50 for oil and \$37.82 for taxes. It should be noted that no charge was made by the owners for their services in operating the system, nor were any sums set aside for depreciation.

Reports prior to 1916 are not available, the owners of this property having failed to file annual reports with the Railroad Commission. Their attention has now been called to this matter and reports will be filed in the future.

At the hearing applicants presented a statement purporting to show that the original cost of the property was approximately \$32,300.00.

H. F. Clark, assistant hydraulic engineer of the commission, testified that in his opinion the cost of the property, including 12 per cent for general overhead, was approximately \$17,500.00. He stated, however, that his estimate was based upon an inventory he had prepared from indefinite maps of the system and that certain items might have been omitted. Since the hearing applicant has reported that certain pipe lines were not shown on the maps and should be added. Even with these additions Mr. Clark is of the opinion that the original cost did not exceed \$21,000.00. He is further of the opinion that the accrued depreciation upon the system amounts to approximately 20 per cent of the original cost.

On the basis of Mr. Clark's valuation, I am of the opinion that the commission at this time can safely authorize an issue of \$13,000.00 face value of notes, said notes to run for a term not exceeding five years, and bearing interest at not to exceed 7 per cent per annum, to be secured by a mortgage upon the water utility property.

I am further of the opinion that applicant may be permitted to issue not to exceed \$5,000.00 par value of stock.

I accordingly submit the following form of order:

ORDER.

Jean H. Bakeman and Melvin Place Water Company having applied to this commission for authority to transfer certain public utility property as hereinbefore set forth, and Melvin Place Water Company having applied for authority to issue stock and notes, and a hearing having been held, and it appearing to this commission that applicants' request is reasonable and should be granted and that the purposes for which it

is proposed to issue said stock and notes are not in whole or in part reasonably chargeable to operating expenses or to income and that the property to be paid for by such stock and notes is reasonably required for the purposes specified in the order herein,

It is hereby ordered that Jean H. Bakeman be and she is hereby authorized to transfer the public utility property known as the Melvin Place Water Plant to Melvin Place Water Company, a corporation, said plant being more particularly described as follows:

"Lots 4 and 5 of the Melvin Place, together with a certain water plant or system, including a house, engine house, tanks, pump, pipes and piping, situate thereon and connected therewith, and all franchises, easements, rights of way and appurtenances appertaining to or connected with the said water plant or system, more particularly described in a deed dated May 27, 1910, between E. W. Payne and his wife, and Mrs. L. P. Melvin and Home Builders, a corporation, which document is now of record in the office of the county recorder of Los Angeles County."

It is hereby further ordered that Melvin Place Water Company, a corporation, be and it is hereby authorized to issue to Jean H. Bakeman, in exchange for said property, \$13,000.00 face value of promissory notes and \$5,000.00 par value of stock.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be issued so as to net applicant not less than the par value thereof, and shall bear interest at not to exceed 7 per cent per annum, and shall mature as follows:

\$1,000.00 face value on or before one year from date.

\$2,000.00 face value on or before two years from date.

\$10,000.00 face value in from three to five years from date, at the option of the company.

2. The property herein authorized to be transferred shall be transferred free and clear from any encumbrances. Within thirty days after the transfer of said property Melvin Place Water Company shall file a certified copy of the deed of conveyance with this commission.

3. The authority herein granted shall not become effective until Melvin Place Water Company shall have filed with this commission a copy of the mortgage securing said notes and shall have secured a supplemental order from this commission approving the same.

4. Melvin Place Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock and notes herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock and notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and

application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to Melvin Place Water Company to issue notes is conditioned upon the payment by Melvin Place Water Company of the fee prescribed by the Public Utilities Act.

6. The authority herein granted Jean H. Bakeman and Melvin Place Water Company to transfer property and Melvin Place Water Company to issue stock and notes is limited to such transfer of property and such issue of stock and notes as shall have taken place on or before April 30, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of April, 1917.

Decision No. 4237, grade crossing; not printed. See end of volume.

DECISION No. 4238.

STANDARD DOOR AND SASH COMPANY

vs.

SOUTHERN CALIFORNIA EDISON COMPANY.

Case No. 1046.

Decided April 9, 1917.

Complainant, operating a factory in the city of Los Angeles, and receiving energy from defendant, petitions the commission to compel defendant to refund to it the sum of \$1,231.05, being the difference between the rate paid and a special rate in effect at the time, known as "off peak rate."

Held, 1. When a special rate for a particular service is established by municipal authorities or by the commission, when the commission assumes jurisdiction, and such rate is given due publicity by the utility affected, a consumer is presumed to have proper knowledge thereof. 2. When a special reduced rate is in effect, which rate provides that the consumers desiring to avail themselves thereof must comply with certain necessary prerequisites, a consumer failing to so comply can not thereafter claim a refund of the difference between the rate paid and the special rate in effect at the time. Complaint dismissed.

C. L. Kilgore and George L. Kiefer, for Complainant.

H. H. Trowbridge and Harry J. Bauer, for Defendant.

LOVELAND, *Commissioner*.

OPINION.

The complaint herein alleges in part that complainant is engaged in the operation of a planing mill in the city of Los Angeles; that at all times since July 1, 1912, complainant has been a regular consumer purchasing all electric energy necessary for the operation of said mill from

the defendant company; that at no time during this period has any power been consumed by complainant at said mill between the hours of 4.30 p.m. and 9.30 p.m.; that during the period between July 1, 1912, and September 30, 1915, the total amount paid by complainant for energy consumed was \$6,155.27; that during this latter period rates to be charged for electric energy were fixed from time to time by the city of Los Angeles by rate resolution of the public utilities board and ordinance of the city council; that the rate in each instance so fixed was subject to a 20 per cent discount if said power was not used between the hours of 4.30 p.m. and 9.30 p.m., said discount provision being known as the "off peak power rate." Complainant further alleges that it has demanded a refund of the sum of \$1,231.05, this being the difference between the rates actually paid to defendant and the "off peak rate" from July 1, 1912, to September 30, 1915; that in October, 1915, defendant granted the request of complainant for the lower rate, which has been enjoyed by complainant from that time until the date of the complaint herein; that defendant has not refunded the \$1,231.05 as demanded, or any part thereof; that complainant had no notice nor knowledge of the fact that there was a possible lower rate; that the alleged overcharge was a discrimination against complainant, and that it was incumbent upon the defendant "to grant to the complainant as a valued consumer the lowest possible rate." The complainant asks that the Railroad Commission make its order requiring defendant to pay to complainant the sum of \$1,231.05, together with interest at the rate of seven per cent per annum from the date of collection, together with the cost of this proceeding, and also asks for any further relief which this commission may find to be just.

Defendant denies that it had any knowledge as to the hours of operation of complainant's plant, or as to whether power was used between the hours of 4.30 p.m. and 9.30 p.m. during the period stated in the complaint. Defendant alleges that the rates fixed by aforesaid ordinances and rate resolutions were subject to a 20 per cent discount, if power was not used between the hours of 4.30 p.m. and 9.30 p.m., only after determination by the public utilities board upon investigation, that the proper means would be employed to insure the discontinuance of the load between the hours specified. Defendant denies that complainant was charged any rate higher than that to which complainant was entitled prior to the first of October, 1915, when complainant applied for and was granted the off peak rate. Defendant further denies that complainant was given any treatment other than that accorded to any other consumer under similar circumstances; that complainant was discriminated against, or that the sum

of \$1,231.05, or any part thereof, is justly due complainant. Defendant asks that the complaint be dismissed.

A public hearing was held herein at Los Angeles on March 24, 1917.

During the period between July 1, 1912, and August 8, 1915, the governmental control of public utilities operating in the city of Los Angeles, including the power to fix rates, apparently was vested in the board of public utilities and the city council of that city, and there being no evidence to the contrary, it must be assumed that this power was so vested. By authority of the Public Utilities Act of this state, as amended April 24, 1915, effective August 8, 1915, this power passed, on the latter date, to the Railroad Commission.

The rates paid by complainant to defendant during the period from July, 1912, to September, 1915, inclusive, were the rates established by the following ordinances of the city of Los Angeles:

Rate Resolution No. 5, adopted April 30, 1912, Board of Public Utilities of Los Angeles.

Rate Resolution No. 9, adopted May 16, 1913, Board of Public Utilities of Los Angeles.

Rate Resolution No. 11, adopted April 22, 1914, Board of Public Utilities of Los Angeles.

Rate Resolution No. 15, adopted April 29, 1915, Board of Public Utilities of Los Angeles.

In each of said ordinances or rate resolutions, the following paragraph appears:

“For electric current for power purposes used by the consumer wholly off peak, or which is not to be used between the hours of four-thirty (4.30) o'clock p.m. and nine-thirty (9.30) o'clock p.m., the rate shall be in accordance with the regular or special schedule above specified, as the case may be, less twenty (20) per cent, provided the board of public utilities, after investigation, determines that the proper means have been employed to insure the discontinuance of the load between the hours of four-thirty (4.30) o'clock p.m. and nine-thirty (9.30) o'clock p.m.”

This clearly indicates that the rate resolutions of the board of public utilities required certain specific investigations and findings by the said board as a condition precedent to the obtaining of a reduction of 20 per cent for “off peak power.”

Evidence introduced by complainant is to the effect that complainant did not, prior to August, 1915, comply with the provisions of said rate resolutions relative to securing this “off peak rate” by asking for the necessary investigation and authority to be granted by the said board of public utilities. Complainant urges that it was in ignorance of the existence of such a rate and therefore could not have made the necessary application, and further that the defendant should have given complainant special notice of the availability of such rate.

It appears that since this rate, with certain definite provisions as to its application, was established by ordinance and was given prescribed legal publicity, complainant must be presumed to have had proper knowledge of the same, and not having instituted the necessary preliminary steps to bring itself within the class of consumers for which this rate was established, until August, 1915, I can not find that complainant was entitled to the aforesaid "off peak power rate" prior to that time.

When the Railroad Commission assumed jurisdiction on August 8, 1915, the rates, rules and regulations of the utilities affected were, by the provisions of the Public Utilities Act, continued in effect until changed by order of the commission, or until the rates, rules and regulations were changed by the defendant, filed with and approved by the commission.

Defendant's rules and regulations, as filed with the Railroad Commission at that time, contained the provision concerning "off peak power" in identically the same language as quoted above. The rule now in effect and which appears on Sheet C. R. C. No. 76-E of the rate schedule of the Southern California Edison Company on file with this commission, and on public file in the defendant's offices since October 30, 1916, is also exactly the same as the aforesaid rule, except that it provides for preliminary investigation and authorization by the Railroad Commission instead of by the board of public utilities.

I find as a fact that defendant, Southern California Edison Company, complied with the rules and regulations promulgated by ordinances or rate resolutions of the city of Los Angeles during the period from July 1, 1912, to August 8, 1915, and thereafter with the rules and regulations of this commission, by giving such ordinances, rules and regulations such publicity as was required by the terms thereof, and that complainant, Standard Door and Sash Company, was properly chargeable with a knowledge of such rules and regulations; that while complainant was in a class and conducted its business in relation to off peak service so as to entitle it to the lesser rate for taking energy during off peak hours, it did not comply with the regulations provided by the ordinances and rate resolutions of the said city of Los Angeles nor with the rules and regulations of this commission after this commission assumed jurisdiction of rates in said city of Los Angeles, and as compliance with said ordinances and rate resolutions of said city of Los Angeles and with the rules and regulations of this commission was a prerequisite to demanding and receiving said lower rate for service during off peak hours, complainant, therefore, is not entitled to the refund asked for.

I submit the following order:

ORDER.

A public hearing having been held in the above-entitled matter, and the Railroad Commission being fully advised in the premises, and finding that the complainant herein is not entitled to the relief, or any portion thereof, for which complainant asks,

It is hereby ordered that the above-entitled case be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this ninth day of April, 1917.

DECISION No. 4239.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION DECLARING THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY PETITIONERS OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT BY ORDINANCE No. 141 OF THE CITY OF WATTS.

Application No. 2593.

Decided April 11, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas The Pacific Telephone and Telegraph Company having, on April 9, 1917, filed with this commission a stipulation in accordance with the order heretofore made in this proceeding on November 4, 1916, which stipulation provides that said company, its successors and assigns, will never claim before the Railroad Commission or any other public authority any value for the rights and privileges conferred by Ordinance No. 141 of the city of Watts, adopted October 1, 1912, in excess of the amount paid therefor at the time said ordinance was adopted, which amount is stated to be not in excess of \$180.20, and good cause appearing,

It is hereby ordered that said stipulation be and the same is hereby approved and ordered filed.

Dated at San Francisco, California, this eleventh day of April, 1917.

DECISION No. 4240.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION DECLARING THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY PETITIONERS OF THE RIGHTS AND PRIVILEGES GRANTED BY ORDINANCE NO. 108 OF THE CITY OF VERNON, APPROVED APRIL 22, 1913.

Application No. 2592.

Decided April 11, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas The Pacific Telephone and Telegraph Company having, on April 9, 1917, filed with this commission a stipulation in accordance with the order heretofore made in this proceeding on November 2, 1916, which stipulation provides that said company, its successors and assigns, will never claim before the Railroad Commission or any other public authority any value for the rights and privileges conferred by Ordinance No. 108 of the city of Vernon in excess of the amount paid therefor at the time said ordinance was adopted, which amount is stated to be not in excess of \$153.50, and good cause appearing,

It is hereby ordered that said stipulation be and the same is hereby approved and ordered filed.

Dated at San Francisco, California, this eleventh day of April, 1917.

DECISION No. 4241.

IN THE MATTER OF THE APPLICATION OF INTERURBAN LAND COMPANY FOR PERMISSION TO SELL AND OF RIVER STREET DITCH COMPANY FOR PERMISSION TO BUY THAT CERTAIN WATER RIGHT AND WATER DITCH COMMONLY CALLED "RIVER STREET DITCH" IN VENTURA COUNTY, CALIFORNIA, AND OF RIVER STREET DITCH COMPANY FOR PERMISSION TO ISSUE FIVE THOUSAND DOLLARS PAR VALUE OF ITS CAPITAL STOCK.

Application No. 2780.

Decided April 11, 1917.

Interurban Land Company authorized to transfer certain ditch property together with a right of way and water right, to the River Street Ditch Company and the latter company is authorized to issue 55 shares of stock of the par value of \$100.00 per share, \$5,000.00, in exchange for property acquired, the balance for organization expenses, etc.

Geo. E. Farrand, for Applicants.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Myron Westover, examiner, on above application to transfer to the River Street Ditch Company, a corporation, an irrigating ditch about four miles long conducting water from the Santa Clara River onto lands near Santa Paula, Ventura County, and for said company to issue 50 shares of its stock at par to procure the \$5,000.00 purchase price.

The River Street ditch, known also as the Gries ditch, was originally constructed many years ago by the farmers of the vicinity, was later sold to the Artesian Water Company, which subsequently sold it to Interurban Land Company, the present owner, which purchased the ditch, right of way and right to divert 600 miner's inches of water in connection with a large ranch which it owns and operates. It supplies irrigation water to some 20 to 25 consumers who irrigate areas varying from 800 to 1,000 acres of land. It now wishes to separate the public utility water business from its other operations.

The size of the ditch is roughly $4\frac{1}{2}$ feet wide and $2\frac{1}{2}$ feet deep, but cut in places to 6 or 7 feet deep. Its capacity is about 1,200 miner's inches. The first mile is constructed through a former river bed, the material excavated being principally sand and large boulders. The next two miles are constructed through sandy loam soil and the fourth mile through a silty heavy soil.

Applicants were unable to show the original cost of the ditch. Mr. Jas. Armstrong, one of the commission's assistant hydraulic engineers, made a rough estimate of the reproduction cost from the approximate data furnished at the hearing. His estimate is about \$4,000.00 exclusive of right of way or any water rights.

River Street Ditch Company, a corporation, was organized in December, 1916, for the purpose of acquiring the ditch in question and engaging in the business of supplying irrigation water. Its capital stock is \$20,000.00 divided into 200 shares of the par value of \$100.00 each. It originally applied for authority to issue for cash 50 shares of its capital stock at the par value of \$100.00 per share, and use the proceeds in the purchase of the ditch, right of way and water right at the agreed price of \$5,000.00. At the hearing it asked leave to amend the application to request authority to issue 5 shares additional at par for cash, to cover organization expenses and qualification of directors. Leave to so amend was granted. Amendment to the application has since been filed. All of the stock proposed to be issued by River Street Ditch Company is to be taken and paid for by Thermal Belt Water Company, a mutual organization.

Thermal Belt Water Company caused the organization of the River Street Ditch Company to secure through the ditch in question a supplemental supply of water. It gave assurance at the hearing that the present rates and contracts for water will be carried out, and that it will discharge all of the obligations of Interurban Land Company to serve the public and will extend such public service through the River Street ditch to the extent of said water right, as demand arises.

ORDER.

Interurban Land Company and River Street Ditch Company having applied to the Railroad Commission for the authority herein granted, and a public hearing having been held upon said application,

It is hereby ordered that Interurban Land Company be and it is hereby authorized and empowered to convey to River Street Ditch Company the irrigation ditch known as the "River Street ditch" and also as the "Gries ditch" conveying irrigation water from the Santa Clara River onto lands near Santa Paula in Ventura County, together with the right of way and water right used in connection therewith, upon payment of the sum of \$5,000.00 cash.

It is further ordered that said River Street Ditch Company be and it is hereby authorized and empowered to issue at par for cash 55 shares of its capital stock of the par value of \$100.00 per share and to apply \$5,000.00 of the proceeds thereof in payment for the ditch, right of way and water right hereinabove described, and to apply \$500.00 or so much thereof as may be necessary to defray the expenses of its organization, for attorney's fees and other expenses.

The authority hereby granted is upon the following conditions, to wit:

1. River Street Ditch Company shall assume and discharge all of the obligations to serve the public heretofore resting upon Interurban Land Company, and shall extend said public service as the demand arises therefor to the extent of its said right to divert and use the waters of Santa Clara River.

2. The authority herein granted to convey said property and to issue stock shall not be treated or considered in any proceeding before this commission or any court, tribunal or public body as a finding by this commission of the value of the property herein described for any purpose other than the purposes of this proceeding.

3. The authority hereby granted shall extend only to the delivery of such conveyance and to the issue of such stock as may be respectively delivered or issued within 30 days from date hereof.

4. Within 20 days after delivery of any such conveyance or the issue of any such stock, River Street Ditch Company shall report to the commission in writing the fact and date of the delivery of said conveyance with a copy thereof and also the fact and date of issue of said

stock with the information required under General Order No. 24, which in so far as applicable is made part of this order.

Dated at San Francisco, California, this eleventh day of April, 1917.

DECISION No. 4242.

R. J. ROBINSON

vs.

MRS. F. A. GREEN.

Case No. 963.

Decided April 13, 1917.

BY THE COMMISSION.

ORDER ON PETITION FOR REHEARING.

Defendant having filed a petition for rehearing in the above-entitled proceeding, and the commission having ordered a public hearing upon said petition, at which hearing complainant formally requested this commission to dismiss the entire proceeding,

It is hereby ordered that this commission's decision in the above-entitled proceeding dated August 31, 1916, and designated as No. 3605, be and the same is hereby canceled and annulled, and the complaint therein is hereby dismissed.

Dated at San Francisco, California, this thirteenth day of April, 1917.

DECISION No. 4243.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY AND ED FLETCHER FOR AN ORDER FIXING RATES TO BE CHARGED AND COLLECTED FOR WATER FURNISHED AND TO BE FURNISHED BY THEM AND SERVICE RENDERED BY THEM IN FURNISHING WATER AND IN FURNISHING, CARRYING AND CONVEYING WATER IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

Application No. 1231.

Decided April 16, 1917.

BY THE COMMISSION.

**OPINION ON PETITION OF C. A. HOOPER & COMPANY
FOR REHEARING.**

C. A. Hooper & Company have filed herein a petition for rehearing on Decision No. 4058, made and filed on January 25, 1917, herein. Petitioner does not question the reasonableness of the rates established

by the Railroad Commission but urges that the order should have declared that petitioner and other water users holding so-called "water right contracts" are entitled to priority of use of water from the Cuyamaca Water Company's system as against other irrigation consumers, present or prospective, who may not have such contracts.

If petitioner has any such prior rights, they are not interfered with by the order of January 25, 1917.

We find no good reason for granting a rehearing herein.

ORDER.

C. A. Hooper & Company, consumers of water from the system of Cuyamaca Water Company, having filed herein a petition for rehearing, careful consideration having been given to the same, and no good cause appearing why a rehearing should be granted,

It is hereby ordered that said petition be and the same is hereby denied.

Dated at San Francisco, California, this sixteenth day of April, 1917.

DECISION No. 4244.

DOLOR FIELDS

vs.

CONSERVATIVE WATER COMPANY.

Case No. 1054.

Decided April 16, 1917.

D. Fields, for Complainant.

Jas. S. Bennett, for Defendant.

BY THE COMMISSION.

ORDER OF DISMISSAL.

A public hearing having been held in the above-entitled proceeding and the parties having at said time agreed upon an adjustment of their differences, and asked that this proceeding be dismissed,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this sixteenth day of April, 1917.

DECISION No. 4245.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO CONSTRUCT AND MAINTAIN AT GRADE SPUR TRACK RAILROADS ACROSS VINEDO AVENUE, HUNTINGTON DRIVE, FOOTHILL BOULEVARD, ANNIE STREET AND BERSA STREET, NEAR VINEDO STATION ON ITS SIERRA MADRE LINE, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

Application No. 2775.

Decided April 16, 1917.

Applicant agreeing to have all cars stopped and flagged across the Foothill boulevard, the only street proposed to be crossed having a heavy traffic, and it appearing that car movements over such spur will be light, application to construct spur track across certain streets in the county of Los Angeles granted.

Frank Karr, for Applicant.

W. W. Patch, for State Highway Commission.

GORDON, Commissioner.

OPINION.

In this application the Pacific Electric Railway Company asks permission to construct a spur track from its main line between Los Angeles and Sierra Madre, crossing at grade Vinedo avenue, Huntington drive, Foothill boulevard, Annie street and Bersa street, all in Los Angeles County. Foothill boulevard is a state highway; the other streets are county roads in the unincorporated town of Lamanda Park.

The supervisors of Los Angeles County have granted a franchise permitting all these streets to be crossed but the State Highway Commission objected to the crossing of Foothill boulevard and a public hearing was held in Los Angeles on March 20, 1917.

There was no question raised as to the convenience and necessity of this spur track. The Highway Commission based its objection on the ground that the Santa Fe crossed the boulevard with a spur track parallel to the one projected and 450 feet away, and that one spur track would serve both companies.

It clearly developed at the hearing, however, that this could not be done. Aside from the difficulty in bringing about joint operation, the facilities of the Santa Fe are so located and are at present so cramped that it was apparent that such a plan would be unsatisfactory to both of the railroad companies and to the industries to be served. As these facts were developed at the hearing Mr. Patch, representing the Highway Commission, practically withdrew his objections to the crossing. The commission, by letter, did later withdraw its objections.

The operation over the crossings will be light and as applicant proposes to stop all trains and have them flagged across Foothill boulevard, the only street to be crossed which has extensive traffic, no unusual safety measures will be necessary.

I recommend the following form of order:

ORDER.

Pacific Electric Railway Company, a corporation, having applied to the commission for permission to construct its spur track at grade across Vinedo avenue, Huntington drive, Foothill boulevard, Annie street and Bersa street, near Vinedo Station, on its Sierra Madre Line, in the county of Los Angeles, state of California, and a public hearing having been held, and it appearing that this application should be granted subject to certain conditions,

It is hereby ordered that permission be and the same hereby is granted Pacific Electric Railway Company to construct its spur track across Vinedo avenue, Huntington drive, Foothill boulevard, Annie street and Bersa street, at grade, at the points and in the manner shown by the maps attached to the application; said crossings to be constructed subject to the following conditions, viz:

(1) The entire expense of constructing the crossings, together with the cost of their maintenance thereafter in good and first-class condition for the safe and convenient use of the public shall be borne by applicant.

(2) Said crossings shall be constructed of a width and type of construction to conform to those portions of the streets to be crossed now graded, with grades of approach not exceeding four (4) per cent; shall be protected by suitable crossing signs, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(3) All engines, trains, motors and cars of applicant shall, before proceeding over Foothill boulevard, come to a full stop and shall not proceed until it has been ascertained that no roadway traffic will be endangered by so doing.

(4) The commission reserves the right to make such further orders in regard to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of April, 1917.

DECISION No. 4246.

FRED MEIER

vs.

SOUTHERN PACIFIC COMPANY AND SACRAMENTO AND WOODLAND
RAILROAD COMPANY, JOHN P. COGHLAN, RECEIVER.

Case No. 959.

Decided April 16, 1917.

Complaint petitioning the commission to compel defendant companies to construct an interchange track at Woodland for the purposes of relieving car shortages and to enable carload shipments from industries on tracks of Southern Pacific Company near Woodland to be conveniently moved to points on Northern Electric Railway.

1. The complaint with reference to shortage of cars would be taken care of should shippers take advantage of the provisions of Rule 13 of the commission's General Order No. 41, providing reciprocal demurrage should carriers fail to place cars within a limited time.
2. Though the commission has the power to compel the construction of interchange tracks, it can do so only when the benefit to the shipping public is commensurate with the cost to the railroads of such construction. In the present instance construction work would cost a considerable sum of money without a corresponding advantage or convenience to the public. Complaint dismissed.

Sanborn & Roehl, for Complainant and Globe Grain and Milling Company, Intervener.

George D. Squires, for Southern Pacific Company.

T. W. Chester, for John P. Coghlan, receiver, Sacramento and Woodland Railroad Company.

BY THE COMMISSION.

OPINION.

Complainants pray for the construction of an interchange track at Woodland connecting the tracks of defendants to relieve car shortage and that carload shipments to and from industries on Southern Pacific Company's tracks near Woodland may be conveniently handled from and to Northern Electric points.

Defendant Sacramento and Woodland Railroad Company is leased to Northern Electric Railroad Company and both properties are operated by J. P. Coghlan, receiver. Both electric lines will be referred to herein as the Northern Electric.

The receiver expresses willingness to join in the construction of the interchange track if it can be constructed in accordance with plans submitted with his answer and if the proper permission can be procured to cross East street in Woodland.

Defendant Southern Pacific Company objects to the establishment of the interchange track, urging that such action would throw its facilities open to the use of the Northern Electric and divert a great deal of the

traffic which it now controls because of its having developed the territory through years of pioneering. The Northern Electric admits that it would benefit largely by such connection but urges that public necessity and convenience require it.

Globe Grain and Milling Company, intervener, alleges delay in furnishing cars for loading at its mill on the industry tracks of Southern Pacific Company at Woodland and represents that it plans to engage in the business of dealing in paddy rice and cleaning it at its Woodland mill, and in that business will desire to reach Northern Electric territory not served by the Southern Pacific Company.

The pleadings present two questions: (1) car shortage, and (2) the effect of the proposed interchange track upon traffic conditions.

Car Shortage.

Intervener, during the months of July and September, 1916, suffered delays of from five to fourteen days in receiving cars for loading after its orders for cars were placed. It promptly loaded cars when received. Two or three other shippers were shown to have suffered similar delays. It was also shown that the Northern Electric always has many empty cars for return to owners after having been made empty on its system. It was urged that these empty cars could readily be furnished for loading at Woodland if there were an interchange track. It appears, however, from the rules of the American Railway Association, to which both defendants have subscribed, that these empty cars would have to be returned to their owners by the most direct route, and could not properly be used for loading except through a junction point in the general direction of the owning line.

Apparently no shipper who suffered delay in the furnishing of cars sought to take advantage of the provisions of Rule 13 of the commission's General Order No. 41, providing reciprocal demurrage for shippers and carriers, and requiring carriers to place cars within a limited time after receiving order, or to pay a demurrage of \$3.00 per day per car. We are of the opinion that said rule, if used by the shippers, will probably take care of the complaint as to lack of cars. We therefore pass to a consideration of traffic conditions at Woodland and vicinity.

Traffic Conditions.

Southern Pacific Company operates a system of about 6,165 miles of railroad within the state, beside its mileage in several other states. In a territory about thirty miles wide and seventy-five miles long extending northwardly from Sacramento, it has four lines. Most of the large towns in this territory served by it, including Chico, Oroville, Colusa, Yuba City, Marysville, Woodland and Sacramento are also served by the Northern Electric system consisting of 166 miles of main line track.

The two systems are active competitors for the business of the heart of the Sacramento Valley. They now have interchange tracks at Chico, Marysville and Sacramento, the latter seventeen miles southeast from Woodland.

Of the 636 carloads of outbound shipments from industries on tracks of Southern Pacific Company at Woodland for the year ending June 30, 1916, 341 carloads were shipped to points reached by Northern Electric at the same rates, either directly or through its connections. The remaining 295 cars were shipped to noncompetitive points. Of inbound business to the same industries at Woodland, 139 carloads were from such competitive points at the same rates, and 235 carloads were from noncompetitive points. Nearly half of the Southern Pacific's business to and from its Woodland industries is therefore with competitive points which would be thrown open directly to Northern Electric competition by the construction of an interchange track at Woodland.

The testimony does not show what business to and from these competitive and noncompetitive points is handled by the Northern Electric system.

Intervener's present business at Woodland is buying, selling and shipping wheat and barley originating in central California. Intervener could give no instance of teaming to or from Northern Electric tracks. It did not show that it lost any shipments for lack of track connections with the Northern Electric at Woodland.

No further showing was made as to present traffic nor as to present needs of the public.

As to the possible development of *future* traffic, it was shown that the Globe Grain and Milling Company is installing machinery in its mill at Woodland for the purpose of cleaning and polishing paddy rice, that it expects to engage in the business of buying and selling rice and doing custom cleaning and polishing and that it wishes to be in position to reach Northern Electric territory if it desires. Its representatives testified that they expect to buy and sell where they can deal to the best advantage. A number of rice growers along the Northern Electric testified concerning their present and future acreage, and that in selling they would sell where they could get the best price, and that if they could reach Woodland via the Southern Pacific at the same rate they would not care for an interchange track. Some, however, felt that routing shipments to Woodland from Northern Electric points via Southern Pacific over the interchange track at Sacramento might cause some delay.

The rice producing territory described at the hearing consists of about 9,000 acres about ten miles west of Woodland which would be tributary to the Southern Pacific; about 5,000 acres around Knights Landing

which would be tributary to the Southern Pacific and to the Sacramento River boats, and about 6,000 acres tributary to the Northern Electric at various points along its line, estimated at 12,000 tons gross. The rate from these Northern Electric points to Woodland is 25 cents higher than to Sacramento where there is also a rice mill. The difference in rate would apparently keep this business away from Woodland, even though the interchange track were constructed. The cost of draying between the Northern Electric line in Woodland and the mill is estimated at 40 cents to 50 cents per ton. The mill did not indicate any desire or intent to absorb the 25 cents differential in rate or the drayage charge. Possible future shipments of commodities other than rice were not shown.

It was not shown that any shipper now suffers any loss or inconvenience through lack of an interchange track at Woodland, or is likely to do so in the future, but only that the mill and rice growers may possibly benefit by extending the mill's territory and increasing the market possibilities for the growers. It was not shown that the establishment of an interchange track at Woodland will serve present public convenience or necessity sufficiently to justify its establishment.

The Northern Electric's engineer estimates the cost of the interchange track as shown on its plan at \$4,860.00, and the Southern Pacific's engineer estimates the cost at \$8,765.00 but including more track and heavier construction, and the cost of a girder rail across East street at \$255.00 additional if that be required by the authorities. No franchise or permit to cross East street has been procured and it was not shown that it can be secured.

The testimony shows that the interchange track would cost a substantial sum of money and that its construction and operation would probably divert considerable traffic from the Southern Pacific lines and throw its terminal facilities open to the use of its competitor without a demonstrated corresponding advantage or convenience to the public.

The Law.

The principle of law which should be applied here is the same principle as that applied in a case before the commission arising under section 33 of the Public Utilities Act providing that through routes and joint rates may be established where the commission finds "that the public convenience and necessity demand the establishment of a through route and joint rate." In its opinion in that case the commission, speaking through Commissioner Eshleman, gave consideration to the degree of public convenience and necessity to be subserved which would justify placing an added burden upon a carrier, and held that the burden "should bear a proper relation to the amount of added convenience to the public." Under the circumstances of that case the

commission authorized the through route and joint rate. The commission found as to passenger business that the burden upon defendant of the joint sale of tickets and through checking of baggage was but little more in degree than that already borne by it and the rewards of the proposed arrangement were adequate. As to freight business, the commission found that the added convenience to the public was considerable through the reduction in team haul, and that a high traffic official of defendant had admitted in a letter that the arrangement would be of benefit to it. (*Central California Traction Company vs. The Atchison, Topeka and Santa Fe Railway Company*, Vol. 1, Opinions and Orders of the Railroad Commission of California, p. 629.)

Both parties in the present proceeding cite and rely upon the case of *Washington ex rel. vs. Fairchild*, 224 U. S. 510. In that case, the Railroad Commission of the state of Washington ordered three railroads to agree upon the places and terms for connecting their tracks at eight towns and declared that in the absence of an agreement the commission would make a supplemental order fixing places and terms. The evidence indicated that a connection at one point alone would accommodate all transfers which might be offered and that the three railroads paralleled each other through a territory fifteen miles wide and fifty miles long, an uncompleted electric line lying between two steam railroads. In his statement of facts, Mr. Justice Lamar says:

"There was no proof as to the volume of business at any of these places, nor as to the amount of freight that would be routed over these track connections if they were constructed. Nor was there any testimony as to the probable revenue that would be derived from the use of the track connections, or of the saving in freight or otherwise that would result to shippers. The inspector of the commission testified that these connections would develop very little business."

In the course of his opinion, he says:

"In determining the reasonableness of such an order the court must consider all the facts—the places and persons interested, the volume of business to be affected, the saving in time and expense to the shipper, as against the cost and loss to the carrier. On a consideration of such and similar facts the question of public necessity and the reasonableness of the order must be determined. This was done in Wisconsin, *M. & P. R. Co. vs. Jacobson*, in which for the first time, it was decided that a state commission might compel two competing interstate roads to connect their tracks.

"A careful examination of this record fails to show what, if any, business would be routed over these connections, or what saving would come to the public if they were constructed. There is nothing by which to compare the advantage to the public with the expense to the defendant, and nothing to show that, within the meaning of the law, there is such public necessity as to justify an order taking property from the company."

Considering the facts presented and the law as above stated and illustrated, a sufficient showing was not made in this case to justify the order sought and the complaint must be dismissed.

ORDER.

A public hearing having been held in the above-entitled case and the evidence being submitted and briefs filed by the parties and the commission being fully advised in the premises and a sufficient showing of facts not having been made to justify the relief sought,

It is hereby ordered that this complaint be and it is hereby dismissed.

Dated at San Francisco, California, this sixteenth day of April, 1917.

DECISION No. 4247.

IN THE MATTER OF THE APPLICATION OF MADERA GAS COMPANY
FOR AN ORDER AUTHORIZING THE ISSUE OF STOCKS AND
BONDS.

Application No. 2665.

Decided April 16, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas this commission in Decision No. 4049, dated January 24, 1917, authorized Madera Gas Company to issue and sell \$11,292.00 par value of stock and \$23,000.00 face value of 6 per cent first mortgage bonds, due and payable October 1, 1943; and

Whereas it now appears that applicant has issued and sold \$18,500.00 face value of said bonds at 90 per cent of their face value and \$2,000.00 par value of said stock at 80 per cent of its par value; and it appearing to this commission that it is desirable that the bonds authorized by Decision No. 4049, shall only be issued and sold in the ratio of \$2,000.00 face value of bonds to \$1,000.00 par value of stock,

It is hereby ordered that the bonds authorized by Decision No. 4049, remaining unissued and unsold as of the date of this first supplemental order shall not be issued or sold until applicant shall have sold a sufficient amount of stock under the authority of Decision No. 4049 to establish a ratio between the stocks and bonds, heretofore issued under the authority of said decision, of \$2,000.00 face value of bonds to \$1,000.00 par value of stock; said ratio to be hereafter maintained by applicant in issuing any stocks or bonds under the authority of said decision.

It is hereby further ordered that this commission's Decision No. 4049, dated January 24, 1917, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this sixteenth day of April, 1917.

DECISION No. 4248.
CITY OF BURLINGAME
vs.
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 869.

Decided April 16, 1917.

1. A complaint, alleging discrimination in rates, which is not substantiated by evidence as to what constitutes a reasonable rate, limits the commission to the issuance of an order merely requiring the utility to remove the discrimination complained of, which may be done by either increasing the lower rate or decreasing the higher. Evidence in the present case does not warrant the issuance of an order effecting rates.
2. Primary rate areas can not be extended indefinitely; however, it is not desirable that people residing in the same city or town should be required to pay different rates for the same class of service. Defendant agrees to construct a branch exchange in the city of Burlingame and to extend its base rate area to include territory heretofore paying a mileage charge.
3. Complainant, a city of the sixth class, is not empowered by law to enact ordinances regulating telephone rates; however, should it have had such power, it would have been exercised unlawfully in that the city receives its service through an exchange located without its corporate limits, and the resolution which it adopted, purporting to fix rates, would have had an extraterritorial force.
4. Should the schedule of rates established by the city have been of a lawful nature, i. e., establishing a primary rate area coterminous with the city limits, subscribers would not have been entitled to reparation in that the records show that no one applied for or asked for such limited service. Complaint dismissed.

John F. Davis, city attorney, for city of Burlingame.

Pillsbury, Madison & Sutro and *James T. Shaw*, for The Pacific Telephone and Telegraph Company.

THELEN and GORDON, *Commissioners*.

OPINION.

The city of Burlingame asks the Railroad Commission to make its order directing The Pacific Telephone and Telegraph Company, herein-after called the Pacific company, to eliminate its mileage charges in that portion of the city of Burlingame which lies north of Oak Grove avenue, to the end that all customers of the Pacific company in the city of Burlingame shall pay the same rates for the same classes of local exchange telephone service. The city also asks the Railroad Commission to make its order directing the Pacific company to pay reparation to its customers residing north of Oak Grove avenue to the extent to which they paid mileage charges during the period from July 7, 1915, to June 30, 1916.

The complaint alleges, in effect, that on July 7, 1915, the board of trustees of the city of Burlingame adopted a resolution establishing

telephone rates to be charged by the Pacific company until June 30, 1916, a copy of which resolution is attached to the complaint as Exhibit "A"; that said resolution was adopted for the purpose of making local exchange telephone rates in the city of Burlingame uniform in all parts of the city; that the Pacific company has failed to comply with said resolution; that the Pacific company's local exchange telephone rates in the city of Burlingame north of Oak Grove avenue are in excess of the rates south of Oak Grove avenue; and that public necessity and convenience require that there be uniformity of rates throughout the city of Burlingame; that a telephone exchange be established in the city of Burlingame and that the city of Burlingame have a separate and distinct heading in the Pacific company's telephone directory. Complainant asks that the Railroad Commission reduce the Pacific company's local exchange rates in the city of Burlingame north of Oak Grove avenue so that they shall be the same as the rates south of Oak Grove avenue; that all rates in the city of Burlingame be uniform and the same as the rates set forth in said resolution of July 7, 1915; that a telephone exchange be established in the city of Burlingame; and that the city receive a separate and distinct heading in the Pacific company's telephone directory. During the course of the hearings herein, complainant was permitted to amend its complaint so as to ask reparation to the extent to which any of the Pacific company's customers in the city of Burlingame paid mileage charges during the period from July 7, 1915, to June 30, 1916.

The answer denies the material allegations of the complaint and, as amended during the course of the hearings, denies that any reparation is justly due.

A number of public hearings herein were held in San Francisco. Briefs have been filed by both parties on the issue of reparation and this proceeding is now ready for decision.

Referring first to the telephone situation as it now exists, the cities or towns of San Mateo, Burlingame and Hillsborough, together with adjacent unincorporated territory, are all served out of the Pacific company's telephone exchange located in the city of San Mateo. The Pacific company's primary rate area, within which its local exchange base rates apply without the addition of mileage charges, consist of the area which is included within a circle whose center is the Pacific company's exchange building in the city of San Mateo and whose radius is two miles. This area includes the entire city of San Mateo, a portion of the cities of Burlingame and Hillsborough and certain unincorporated territory. Beyond this primary rate area, mileage charges are added, on the basis of radii increasing one-quarter of a mile at each step, as is usual in the telephone development in this state. The additional mileage charges in connection with the San Mateo primary rate

area are principally paid by customers of the Pacific company living in a portion of the city of Burlingame and a portion of the city of Hillsborough.

The city of Burlingame is a city of the sixth class and adjoins the city of San Mateo on the north. The community of Easton is a part of the city of Burlingame and is located in the northerly portion of the city of Burlingame, north of a street known as Oak Grove avenue. The Pacific company's San Mateo primary rate area includes that portion of the city of Burlingame which lies south of Oak Grove avenue. North of Oak Grove avenue, mileage charges are applicable, these charges being added to the base rate applicable to the primary rate area.

As shown by the Railroad Commission's Exhibit No. 1, the Pacific company, in April, 1916, had 584 telephone installations in the city of Burlingame of which number 444 were south of Oak Grove avenue and 140 north of Oak Grove avenue. The telephone development south of Oak Grove avenue was considerably greater than the development north of Oak Grove avenue. On January 1, 1917, 876 houses in the city of Burlingame were served with water, of which number 510 were located south of Oak Grove avenue and 366 north of Oak Grove avenue. On the basis of four inhabitants to each house served with water, it would appear that on January 1, 1917, approximately 3,500 people were living in the city of Burlingame, of whom 2,040 were living south of Oak Grove avenue and 1,460 north of Oak Grove avenue.

For some time, especially following the recent rapid development, the inhabitants of Easton have been seeking the elimination of the mileage charges, so that their local telephone rates should be the same as the rates prevailing in the city of Burlingame south of Oak Grove avenue, as well as in San Mateo and that portion of Hillsborough which is located within the primary rate area.

On July 7, 1915, the board of trustees of the city of Burlingame passed a resolution providing "that all telephone rates throughout the entire city of Burlingame shall be uniform and on the basis as set forth" in the resolution. The resolution further provided that these rates "shall apply north of Oak Grove avenue of the city of Burlingame as well as south of Oak Grove avenue of the city of Burlingame and shall be operative up to June 30, 1916."

The Pacific company has refused to apply these rates north of Oak Grove avenue on the ground that the resolution is illegal and has continued to charge the rates theretofore in effect, including additional mileage charges outside of the primary rate area.

This proceeding presents two issues, as follows:

1. The elimination of the differences in local exchange rates in different portions of the city of Burlingame; and,
2. The claim for reparation.

These issues will be separately considered.

I.

Burlingame Local Exchange Rates.

The complaint asks that all local exchange rates in the city of Burlingame be reduced to the rates prevailing south of Oak Grove avenue. This request is based in part on the claim that the rates prevailing north of Oak Grove avenue have been unreasonably high and in part on the claim that they have been discriminatory.

Referring first to the issue of reasonableness, the complainant introduced no evidence as to the fair value of the Pacific company's property chargeable to the service here under consideration, nor as to reasonable maintenance and operating expenses nor as to a reasonable depreciation annuity, nor any other evidence from which the Railroad Commission can determine just and reasonable rates to be charged for any local exchange service out of the San Mateo exchange. The complainant made the general assertion that the Pacific company's local exchange rates north of Oak Grove avenue are unreasonably high, but presented no competent evidence in support of this allegation.

Referring next to the doctrine of discrimination, the complainant referred to the telephonic conditions prevailing in South San Francisco, San Bruno and Lomita Park as compared with the conditions prevailing in the territory served out of the San Mateo exchange. The evidence submitted is not sufficient to make out a case of discrimination. Even if discrimination had been proved, the only order which the Railroad Commission could make under this head would be an order to the Pacific company to remove the discrimination, which order would be just as much complied with by increasing the rates prevailing in the primary rate area as by decreasing the rates prevailing north of Oak Grove avenue by eliminating the mileage charges.

We conclude that the evidence introduced by complainant is insufficient to warrant the Railroad Commission in granting the relief requested.

Subsequent to the filing of the complaint herein, the Railroad Commission's telephone division, acting under instructions from the presiding commissioners herein, engaged in a number of conferences with the Pacific company for the purpose of ascertaining whether a temporary adjustment which would be consistent with the permanent telephone development of this territory might not be made prior to the decision hereafter to be rendered in Application No. 1870, in which proceeding the Railroad Commission will establish the rates to be charged by the Pacific company for local exchange service in all its exchanges in the state, including its exchange or exchanges in the territory here under consideration. The situation in both Burlingame and

Hillsborough—a portion of each community receiving telephone service at the base rates prevailing in the primary rate area while other portions of the same cities must pay additional mileage rates—is not satisfactory. While primary rate areas can not be extended indefinitely, it is generally not desirable that people living in the same city should pay different rates for the same classes of local exchange telephone service. Another factor obviously necessitating some adjustment in the telephone situation in this territory is the recent rapid increase in population of San Mateo and adjacent territory, resulting in a constantly increasing strain on the San Mateo telephone exchange. It seems clear that the time has come for the establishment either of a separate exchange for Burlingame and Hillsborough, and adjacent territory, or of a branch exchange feeding out of the San Mateo exchange. The request of the complainant herein that a separate telephone exchange be established for the city of Burlingame would obviously be prejudicial to the people of Burlingame, for the reason that such a proposition would almost necessarily require the payment of a toll charge for messages between Burlingame and the other portions of the territory here under consideration, including the city of San Mateo and the city of Hillsborough. It early became evident that the object which the complainant had in mind could be accomplished far more satisfactorily by the establishment in Burlingame or Hillsborough of a branch exchange feeding into the San Mateo exchange, without the imposition of toll charges.

The Railroad Commission's telephone division accordingly conferred with the Pacific company to see whether a constructive plan could not be formulated along the lines just indicated. The Pacific company, although at first unwilling to take any action prior to the decision to be rendered in Application No. 1870, thereafter cooperated fully to the attainment of the ends herein set forth. The Pacific company purchased a lot on Oak Grove avenue for \$1,250.00, graded the same and erected a building at an expense of \$15,000.00, and is engaged in the installation of a switchboard at an expense of \$13,000.00 and in making the necessary changes in outside plant at an expenditure of approximately \$8,080.00. The total expenditure in connection with the new branch exchange will be approximately \$37,330.00. The Pacific company has agreed that this branch exchange will serve the cities of Burlingame and Hillsborough and certain adjacent unincorporated territory, that it will be regarded as a branch exchange of the San Mateo exchange and that no claim will be made for the collection of a toll charge in connection with messages between the San Mateo exchange and the new branch exchange. The Pacific company has offered to make effective a new primary rate area to include the cities of San Mateo, Burlingame and Hillsborough and part or all of certain adjacent unincorporated

territory. Within this entire area, rates are to be uniform for the same class of service, thus eliminating all mileage charges in Burlingame and Hillsborough and the other portions of the territory to be included within the new primary rate area.

Railroad Commission's Exhibit No. 1 shows that in the year ending December 31, 1915, the sum of \$1,443.60 was collected in mileage charges in Burlingame and \$1,371.00 in other territory feeding out of the San Mateo exchange, the total mileage charges being \$2,814.60 during this period. The plan contemplated by the Pacific company will result in a loss of this entire revenue.

The Pacific company offers to make the new arrangement effective when its construction work has been completed, which time it is represented will presumably be on or before July 7, 1917. The Pacific company offers to apply within the entire new primary rate area the rates hitherto prevailing in the existing primary rate area, notwithstanding the loss in revenue hereinbefore indicated, pending the decision to be rendered in Application No. 1870.

Subsequent to the filing of the complaint herein, the Pacific company made a change in its "Bay Counties" telephone directory, so that all its subscribers in the territory herein under consideration appear under the head of "San Mateo, Burlingame, Hillsborough and Easton." Burlingame, Hillsborough and Easton are each named separately, with a reference in each case reading as follows: "For subscribers see San Mateo, Burlingame, Hillsborough and Easton." This arrangement satisfactorily adjusts the complaint with reference to the listing in the telephone directory.

The Pacific company offered to stipulate that it would complete the arrangement hereinbefore set forth if the complainant would withdraw its claim for reparation. The complainant thereupon expressed a willingness to accept the completion by the Pacific company of this plan as satisfaction of that portion of the complaint which deals with the elimination of differences in rates, but was unwilling to enter into any stipulation to dismiss this proceeding unless the Pacific company should agree to make reparation for the mileage charges collected in Burlingame between July 7, 1915, and June 30, 1916.

The complainant having failed to make out its case, as hereinbefore indicated, is not entitled to an order granting the relief prayed for. Nevertheless, under the plan worked out by the Pacific company and the Railroad Commission's telephone division, which plan has already been largely carried out, the people of Burlingame, Hillsborough and vicinity will secure relief notwithstanding the complainant's failure to present the necessary evidence to make out its case.

II.

Reparation.

The second issue in this proceeding is whether reparation should be awarded covering the mileage charges paid by the inhabitants of the city of Burlingame during the period from July 7, 1915, to June 30, 1916.

As complainant has failed to introduce evidence on which the Railroad Commission can herein make a finding as to just and reasonable rates, it is evident that the complainant's claim to reparation must be based exclusively on the proposition that the rates referred to in the resolution of July 7, 1915, were lawful rates during the period from July 7, 1915, to June 30, 1916, and that the mileage rates charged by the Pacific company to its subscribers north of Oak Grove avenue were illegally charged and collected.

The Pacific company urges that the resolution of July 7, 1915, is void for the reason that the board of trustees should have acted by ordinance and not by resolution. For the reasons hereinafter appearing, it is not necessary to pass on this contention.

As already indicated, the city of Burlingame is a city of the sixth class. That the Municipal Government Act has conferred upon such city no power to regulate telephone rates is conceded. Complainant urges that the power to establish such rates was delegated to it by section 11 of Article XI of the constitution of California providing that "any county, city, town or township may make and enforce within its limits all such local, police, sanitary and other regulations as are not in conflict with general laws."

If it is assumed for the sake of the argument, that this constitutional provision granted to cities of the sixth class the power to establish public utility rates, on which point it is not necessary herein to express an opinion, it must nevertheless be admitted that the power thus granted must be lawfully exercised if it is to be effective. We are satisfied that the city of Burlingame did not exercise its power lawfully even if it is assumed that the city had the power to establish rates for telephone service in certain cases. As already shown, local exchange telephone service in the entire territory here under consideration has been rendered out of the Pacific company's exchange located in the city of San Mateo. The Pacific company has had no exchange in the city of Burlingame. Every telephone conversation between one of the Pacific company's subscribers in the city of Burlingame and any other subscriber in the territory here under consideration, whether in Burlingame, San Mateo, Hillsborough or elsewhere, has crossed the city limits of Burlingame and been transmitted through the Pacific company's San Mateo exchange. In no single instance has any such telephone conversation been conducted exclusively within the city of

Burlingame. Conceding, for the purpose of the illustration, that the city of Burlingame might have established a primary rate area confined to the city of Burlingame and might have provided rates for telephone conversations which were confined to people conversing with each other in the city of Burlingame without crossing the city's boundaries, it is clear that this action was not taken by the city of Burlingame by the resolution of July 7, 1915. This resolution established no primary rate area and merely undertook to establish the rates to be paid by customers of the Pacific company living in the city of Burlingame and using the service as offered by the Pacific company, which service was a service carried on through the San Mateo exchange and, in each instance, in part extraterritorial in character.

That a city, unless specially authorized so to do, can not enact ordinances or resolutions having extraterritorial force is clear both in logic and on authority. In *City of South Pasadena vs. Los Angeles Terminal Railway Company*, 109 Cal. 315, it appeared that the city of South Pasadena had granted a franchise to the defendant's predecessor for the operation of a steam railroad along a designated route over and along the streets of South Pasadena. The ordinance provided, in part, that round-trip fares between points within the city of South Pasadena and the business center of the city of Los Angeles should never exceed 30 cents. Thereafter, acting under authority of a resolution adopted by the board of railway commissioners, the defendant railway company increased said round-trip fares. The city of South Pasadena thereupon applied to the Superior Court for an injunction to prevent the further operation of the railroad on its streets. The injunction was granted by the Superior Court but this action was reversed by the Supreme Court. As pointed out by the Supreme Court, on page 321, city ordinances "can have no extraterritorial force unless by express permission of the sovereign power; in the nature of things this must be so unless intolerable confusion and evil are to result." The court held that the portion of the ordinance which undertook to impose a condition with reference to the amount of the round-trip fares between points in the city of South Pasadena and the business center of Los Angeles was void by reason of want of power on the part of the city of South Pasadena to enact such provision.

Likewise, in *City of Arcata vs. Green*, 156 Cal. 759, the Supreme Court held that the city of Arcata had no power, in granting a franchise for the operation of an electric railroad over its streets, to provide that work on such railroad, which was to be constructed between Arcata and Eureka, should be commenced within nine months and completed within two years. The Supreme Court, speaking through Justice Sloss, held that this condition was void and was "as clearly extraterritorial as the provisions in the South Pasadena case."

The complainant refers, as authority for its position, to *Home Telephone and Telegraph Company vs. City of Los Angeles*, 155 Fed. 554, which case is reported on appeal in 212 U. S. 265. In this case, an ordinance of the city of Los Angeles establishing the rates to be charged for telephone service rendered by Home Telephone and Telegraph Company was sustained. The freeholders' charter of the city of Los Angeles contains a specific provision giving to the city the power "to regulate telephone service, and the use of telephones within the city, and to fix and determine the charges for telephones and telephone service, and connections." It will be observed that the power of the city was specifically limited to the regulation of telephone service and the use of telephones "within the city." There is nothing in the case reported to show that the city of Los Angeles undertook to establish rates for telephone service rendered in whole or in part outside the city of Los Angeles. If such effort had been made, and attention had been directed thereto, the ordinance would unquestionably have been held void. Even a freeholders' charter does not authorize a city to exercise extraterritorial power unless such effect is clearly contemplated and specifically authorized.

Even if the city of Burlingame had established a primary rate area coterminous with the city limits, which we expressly find was not done, nevertheless we are satisfied that reparation should not be awarded herein for the reason that as far as the record shows, no subscriber of the Pacific company asked for service thus limited. As far as the record shows, each subscriber of the Pacific company in the city of Burlingame was entirely willing to accept the much more extensive service which alone was being accorded by the Pacific company through its San Mateo exchange.

We recommend that the complaint herein be dismissed and submit the following form of order:

ORDER.

The above-entitled proceeding having been submitted, briefs having been filed and the proceeding being now ready for decision,

It is hereby ordered that this proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of April, 1917.

Decisions Nos. 4249, 4250, 4251 and 4252, grade crossings; not printed. See end of volume.

DECISION No. 4253.

COAST COUNTIES GAS AND ELECTRIC COMPANY

vs.

SIERRA AND SAN FRANCISCO POWER COMPANY.

Case No. 1015.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO SERVE OLD MISSION PORTLAND CEMENT COMPANY.

Application No. 2624.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR ORDER PRELIMINARY TO ISSUANCE OF CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY IN SAN BENITO COUNTY.

Application No. 2626.

Decided April 17, 1917.

The commission having heretofore required that the electric companies, parties to these proceedings, reach an agreement as to service in territory in dispute, and an agreement having been reached satisfactory to the companies and to the commission, such agreement is approved.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

In compliance with the commission's opinion and order in the above-entitled proceedings issued on the twentieth day of February, 1917, Decision No. 4116, in which decision it ordered that within 20 days from the date of said decision the Coast Counties Gas and Electric Company and the Sierra and San Francisco Power Company prepare and submit to the commission a plan for carrying out the intent of the opinion with reference to electric service within that portion of San Benito County lying north of the east and west line between townships 14 and 15 south, Mount Diablo base, and that the final order with reference to said portion of said county be and the same was withheld for 20 days pending presentation of the plan; and in accordance with the supplemental order dated March 12, in which the time of compliance was extended to March 17, 1917, the Sierra and San Francisco Power Company and the Coast Counties Gas and Electric Company submitted under date of March 17, a joint proposed plan signed by the presidents of the respective companies setting forth an agreement as to electric service in the said territory, a copy of which said agreement is now on file with the commission.

The proposed plan for carrying into effect the intent of Decision No. 4116 of the Railroad Commission of the State of California as agreed to by the respective companies is, in general, as follows:

The Sierra and San Francisco Power Company agrees to construct, maintain and operate in the vicinity of the Old Mission Portland Cement Company's plant near San Juan a suitable substation for supplying the requirements of the Cement company and Coast Counties Gas and Electric Company, it being contemplated to install for the present sufficient transformer capacity to supply the anticipated load of the Cement company and in addition three 1,000 kilowatt transformers for supplying the Coast Counties company at voltages of 23,000 and, or 4,000 volts; all auxiliary apparatus is to be supplied by the Sierra and San Francisco Power Company except that the Coast Counties company shall have the right to install suitable voltage feeder regulations if it so desires.

The Sierra company agrees to at once build a pole line from San Juan Junction to the substation site, which line shall be designed to carry two Sierra and San Francisco Power Company's 60,000-volt transmission circuits, two Coast Counties Gas and Electric Company's 23,000-volt transmission and distribution circuits and two telephone lines, the cost of the pole line exclusive of cross-arms, wires and insulators to be equally borne by the two companies, the circuits and cross arms required by the separate companies to be constructed at the cost of the company installing the same. The Coast Counties company agrees to cut its present San Juan Junction-Hollister 23,000-volt line at San Juan corner and connect this portion of its system to the Sierra and San Francisco Power Company's substation and to provide any necessary additional pole line which may be required for service from the substation.

The parties mutually agreed that for a period of three years the Sierra and San Francisco Power Company shall furnish Old Mission Portland Cement Company with all its power requirements, paying the Coast Counties company 5 per cent of all the bills collected for energy supplied. After the expiration of the three year period, at the election of the Coast Counties company, it may take over the contract with the Cement company and supply it through the San Juan substation from energy purchased from the Sierra and San Francisco Power Company, in which case it shall pay the Sierra and San Francisco Power Company for energy supplied to the Cement company at the rate of .6085 cents per kilowatt hour and the 5 per cent payment by the Sierra and San Francisco Power Company will cease.

The Coast Counties company agrees to purchase from the Sierra company, after the latter company is prepared to supply the Coast Counties company with power, an amount of energy which bears the

same ratio to the total energy purchased by the Coast Counties company as the sales of the Coast Counties company in San Benito County bear to the total sales on the company's system, provided arrangement does not require the Coast Counties company to take from any other company less energy than the minimum provided for in any existing contract. The rate to be charged under the agreement for energy other than that furnished to the Cement company is to be 1 cent per kilowatt hour, less .004 cents for each 1 per cent of the monthly load factor of the San Juan substation exclusive of energy furnished to Old Mission Portland Cement Company. This rate is subject to further discount by an amount equal to .002 cents per kilowatt hour for each 1 per cent of the annual load factor, the load factor to be determined as the ratio between the total kilowatt hour received during any period divided by the product of the highest demand in kilowatt hours for any one hour during such period and the number of hours and fractions thereof in such period. The Coast Counties company agrees to pay an annual minimum of \$10,000.00 for service in addition to the service to the Portland Cement Company. Service is to be rendered and metered at the outgoing terminals of the substation.

Each company agrees to hold the other harmless from any and all damage including liability for such damage on its side of the point of delivery, except to employees of the other company working in or about the substation. The agreement is made subject to the approval of the Railroad Commission and in case of disagreement between parties thereto the matter is to be referred to the Railroad Commission and the decision of the Railroad Commission shall be binding upon both parties.

This agreement, in our opinion, represents a fair and equitable arrangement of the service in that portion of San Benito County in which the companies were ordered to propose a plan for carrying out the intent of the previous opinion, and in accordance with the said opinion the commission herewith issues its supplemental order approving the conditions set forth in said agreement.

ORDER.

The Railroad Commission having ordered in its Decision No. 4116 that the Sierra and San Francisco Power Company and the Coast Counties Gas and Electric Company file a proposed plan for carrying out the intent of the opinion which preceded the order in that decision, and the respective companies having jointly filed a proposed plan which meets with the approval of the commission and which plan appears fair and equitable to both parties and to the public,

It is hereby ordered that the Sierra and San Francisco Power Company and the Coast Counties Gas and Electric Company are hereby

authorized to carry out the plan as set forth in their joint letter of March 17, 1917, to the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of April, 1917.

DECISION No. 4254.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO EXERCISE OF FRANCHISE RIGHTS NOT YET SECURED, IN LOS ANGELES COUNTY.

Application No. 2682.

Decided April 17, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Southern California Gas Company having procured from the county of Los Angeles a franchise granting to it the right to lay, construct and maintain gas pipes in territory embracing a large part of Los Angeles County described therein, which said franchise is contained in Ordinance No. 463 (new series), adopted March 26, 1917, and the board of directors of said Southern California Gas Company having by resolution stipulated that it, its successors and assigns will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted under said ordinance in excess of the actual cost to said applicant of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$407.92; and it appearing that said stipulation is in form satisfactory to this commission in so far as may be necessary for the purposes of this proceeding,

The Railroad Commission of the State of California does hereby certify and declare that public convenience and necessity require the exercise by Southern California Gas Company of the right, privilege and franchise granted by said Ordinance No. 463 (new series), in that portion of the territory described therein, which is not now adequately served with gas.

Dated at San Francisco, California, this seventeenth day of April, 1917.

Decisions Nos. 4255 and 4256, grade crossings; not printed. See end of volume.

DECISION No. 4257.

IN THE MATTER OF THE APPLICATION OF SUTTER BUTTE CANAL COMPANY FOR AUTHORITY TO ISSUE ITS CERTAIN RENEWAL PROMISSORY NOTE FOR FIFTY THOUSAND DOLLARS.

Application No. 2044.

Decided April 19, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas on January 14, 1916, this commission authorized Sutter Butte Canal Company to issue its promissory note for \$50,000.00 to the Crocker National Bank (Decision No. 3042, Vol. 9, Opinions and Orders of the Railroad Commission of California, p. 49); and

Whereas said order fixed the time within which said note should be issued as not later than March 31, 1916, and the applicant now having made request for an extension of time within which to issue said note or a similar note, and good cause appearing,

It is hereby ordered that the time limit heretofore fixed for the issue of said note of \$50,000.00 be and is hereby extended to June 30, 1918.

It is hereby further ordered that Sutter Butte Canal Company be given authority and is hereby given authority to issue renewal notes of like amount and tenor for the note of \$50,000.00 authorized to be issued in this commission's Decision No. 3042, on the condition that said renewal notes shall mature not later than June 30, 1919.

It is hereby further ordered that all of the conditions set forth in this commission's order in Decision No. 3042, in so far as they are not in conflict with the order herein, shall remain in full force and effect.

Dated at San Francisco, California, this nineteenth day of April, 1917.

DECISION No. 4258.

IN THE MATTER OF THE APPLICATION OF THE SOUTH SAN FRANCISCO BELT RAILWAY AND THE SOUTH SAN FRANCISCO LAND AND IMPROVEMENT COMPANY AND SOUTHERN PACIFIC COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING THE SOUTH SAN FRANCISCO BELT RAILWAY AND THE SOUTH SAN FRANCISCO LAND AND IMPROVEMENT COMPANY TO LEASE, AND AUTHORIZING SOUTHERN PACIFIC COMPANY TO HIRE, THAT CERTAIN RAILROAD, ITS SIDINGS, SPUR TRACK AND APPURTENANCES KNOWN AS "SOUTH SAN FRANCISCO BELT RAILWAY."

Application No. 2824.

Decided April 23, 1917.

By THE COMMISSION.

ORDER.

South San Francisco Belt Railway and South San Francisco Land and Improvement Company having applied to this commission for an order authorizing said companies to lease to Southern Pacific Company for a term of three years that certain railroad, sidings, spur track and appurtenances known as "South San Francisco Belt Railway," a copy of which lease is attached to the application in this proceeding and marked "Exhibit A," and Southern Pacific Company having joined in the application, and the commission being of the opinion that this is not a case in which a public hearing is necessary,

It is hereby ordered that South San Francisco Belt Railway, South San Francisco Land and Improvement Company and Southern Pacific Company be and they are hereby authorized to execute a lease of the "South San Francisco Belt Railway" in the form attached to the application in this proceeding marked "Exhibit A," upon the following conditions:

1. The lessors shall proceed promptly to correct the clearances on said railway, and bring the same to the standards prescribed in this commission's General Order No. 26, the work of correcting said clearances to be finished within ninety (90) days from the date of this order.
2. It must be understood that the commission reserves the right to, at any time, make any orders and impose any further conditions which it deems proper with reference to the matters covered in this lease.

Dated at San Francisco, California, this twenty-third day of April, 1917.

DECISION No. 4259.

IN THE MATTER OF THE APPLICATION OF THE CITY OF COALINGA FOR AN ORDER OF THE RAILROAD COMMISSION FIXING AND DETERMINING THE JUST COMPENSATION TO BE PAID FOR THOSE PORTIONS OF THE DISTRIBUTING SYSTEM AND PIPE LINES OF BOTH HARD AND SOFT WATER, WHICH LIE WHOLLY WITHIN THE CITY OF COALINGA, EXCEPT THE MAIN FEEDER FROM THE SOURCE OF SUPPLY TO THE DISTRIBUTION MAINS.

Application No. 2715.

Decided April 23, 1917.

Henry S. Richmond and Mason & Locke, for Applicant.

Paul E. Greer, for Pleasant Valley Water Company.

LOVELAND, *Commissioner.*

OPINION.

The application in this matter was originally filed on January 11, 1917, but was subsequently amended by applicant and filed with the commission on February 5, 1917. Order to show cause was issued to Pleasant Valley Water Company on February 20, 1917, directing it to appear for hearing at Coalinga before the Railroad Commission on March 27, 1917. At request of Pleasant Valley Water Company and in order that it might have additional time in which to prepare its case, this hearing date was reset to April 10, 1917, at Coalinga, at which time and place public hearing was thereafter held.

At this hearing Pleasant Valley Water Company stated that it would be unable to proceed with the presentation of its evidence for at least two weeks and indicated its desire for a continuance in the matter. In reply Mr. Richmond, city attorney, stated that in an endeavor to arrive at a settlement satisfactory to both parties, city of Coalinga had been carrying on negotiations with Pleasant Valley Water Company since August, 1916; that all such negotiations had been to no purpose; that inasmuch as the city was now engaged in the drilling of water wells and had been prepared for some time to begin the construction of a municipal plant, any further delay would result in serious embarrassment and that he would request permission at this time to withdraw the application of the city of Coalinga.

From the showing made when the hearing was called, I am of the opinion that city of Coalinga has endeavored to negotiate in good faith with the Pleasant Valley Water Company and within a time consistent with the exigencies of the situation, and am unable to conclude that any further delay will result in any benefit to either party, and will therefore recommend that the application be dismissed.

ORDER.

Applicant in the above-entitled proceeding having on April 10, 1917, made written request to this commission that the above application be dismissed,

It is hereby ordered that the above-entitled application be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-third day of April, 1917.

DECISION No. 4260.

PACIFIC FIBRE AND RETARDER COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1029.

Decided April 23, 1917.

Complaint alleging unjust and discriminatory rates on bean straw Santa Susana, Simi, Moorpark and other points in Ventura County to Ventura, and petitioning the commission to remove such discrimination, and award complainant reparation in the sum of \$301.18 on past shipments.

1. A common carrier is not justified in charging a higher rate for moving a commodity, under exactly similar conditions, to one community where it is used for manufacturing purposes, than to another community where it is put to a less valuable use.
2. Defendant required to remove within sixty days, discrimination at present existing against the city of Ventura in rates covering shipments of blackeye bean straw between points above mentioned. Complainant being unable to show that it was damaged through discrimination found to exist, no award of reparation is made

Barnes & Weldon, for Complainant.

George D. Squires, for Defendant.

BY THE COMMISSION.

OPINION.

This is an action by Pacific Fibre and Retarder Company, a California corporation, engaged in the manufacture of retarder and fibre from bean straw in the city of Ventura, charging that defendant's rates on shipments of bean straw from Santa Susana, Simi, Moorpark and other points to Ventura are excessive and discriminatory as compared with the rates on this material from the same points to Los Angeles. Complainant's prayer asks for the establishment of lower rates, for reparation in the amount of \$301.18 upon past shipments and for such other relief as the commission may deem reasonable. Both the alleged discrimination and the excessiveness of the rates are denied by the answer.

A public hearing was held in Ventura on February 7, 1917, before Examiner Baneroft.

It appears that bean straw moves under the general hay rates. The following table shows these rates from various points to Ventura and also from the same points to Los Angeles, together with the mileage and the rate per ton mile in each instance:

Rates on Hay and Bean Straw.

From	To Ventura			To Los Angeles		
	Mileage	Rate per ton	Rate per ton mile	Mileage	Rate per ton	Rate per ton mile
Santa Susana -----	39.3	\$2 25	5.7¢	35.4	\$1 50	4.2¢
Simi -----	35.3	2 00	5.7¢	39.4	1 75	4.4¢
Moorpark -----	28.9	1 75	6.0¢	45.8	1 75	3.8¢

There was some question as to whether the allegations in the complaint were sufficient to support the charge of the rates being excessive; and at the hearing complainant voluntarily waived for the purpose of this case any question of unreasonableness and proceeded with the case solely upon the theory of discrimination.

From the foregoing table it will be seen that the rates are materially higher per ton mile from Santa Susana, Simi and Moorpark to Ventura than to Los Angeles. For example, the rate from Santa Susana to Los Angeles, a distance of approximately 35 miles, is \$1.50 per ton, or 4.2 cents per ton mile, while from Santa Susana to Ventura, a distance of approximately 39 miles, the rate is \$2.25 per ton, or 5.7 cents per ton mile. There is no question but that there is a material discrepancy in these rates against Ventura, and the point to be determined is whether this discrepancy constitutes an unreasonable discrimination. Section 19 of the Public Utilities Act reads as follows:

"Sec. 19. No public utility shall, as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service. The commission shall have the power to determine any question of fact arising under this section."

The first sentence in the above section does not apply in this case, as the testimony shows that there is no other manufacturer of retarder west of Webster City, Iowa.

The question then arises as to whether defendant is maintaining an unreasonable difference as to rates on bean straw into Ventura as distinguished from those into Los Angeles. Defendant attempted to

justify the difference in rates on several grounds, among which may be mentioned the following:

1. That the transportation of bean straw from the points mentioned to Ventura constitutes a different kind of traffic from the transportation of this straw to Los Angeles, inasmuch as the straw hauled to Ventura is used solely for the manufacture of retarder and fibre, while the straw hauled to Los Angeles is used solely for hay or fertilizer.

2. That the lower rates into Los Angeles are justified in order to meet three classes of competition into that city, namely, other railroad competition, automobile truck competition, and water competition.

3. That defendant renders a more valuable service to complainant when it moves a ton of bean straw into Ventura to be manufactured into retarder worth \$30.00 a ton than when it moves a ton of the same material into Los Angeles to be used as a fertilizer, worth approximately \$7.00 per ton.

4. That cars carrying freight into Los Angeles are promptly reloaded, thus reducing the movement of empty car equipment; while cars carrying freight into Ventura frequently find difficulty in securing tonnage for outbound movements.

At to the first and the third of the above defenses, which may be considered together, we can not hold that defendant is justified in charging more for hauling bean straw to Ventura where it is used for manufacturing purposes than for hauling it to Los Angeles where it is used for hay or fertilizer. No evidence was introduced to show that there was the slightest difference either in the equipment used or in the method of transporting the bean straw to the two cities. In fact, defendant introduced evidence to the effect that the market value of bean straw is substantially the same both at Ventura and at Los Angeles, varying from \$6.00 to \$8.00 per ton, while the price of ordinary hay at Los Angeles runs from \$17.00 to \$20.00 per ton. Defendant also introduced evidence to the effect that no bean straw is used at Ventura for either fertilizer or hay. But if it so happened that bean straw were used in Ventura for hay, then to carry out defendant's argument to its logical conclusion, there would be one rate for bean straw to a dealer in hay at Ventura, and a higher rate for the same material, of exactly the same value at point of shipment, carried in the same kind of cars, under the same conditions, to complainant for manufacturing purposes. Obviously, such a system of rates would not for a moment be sanctioned by this commission.

It appears from the evidence that complainant uses both lima bean straw and blackeye bean straw; and, according to complainant's uncontradicted testimony, no blackeye bean straw is shipped into Los Angeles for use as hay or feed of any kind. Furthermore, Mr. W. S. Baylis,

president and general manager of complainant, expressly declared at the hearing that he would be satisfied if this commission merely gave his company relief as to the rate upon blackeye bean straw. This materially simplifies the consideration of carrier's second defense, which is based upon the premise that the lower rate into Los Angeles is justified on account of the bean straw being used for hay, in competition with alfalfa and other hay in the vicinity of that city.

No evidence was introduced as to the necessity of meeting any competition in the use of the bean straw as a fertilizer, and, accordingly, we can not hold that the discrimination in the transporting of blackeye bean straw is justified by reason of any such possible competition; and owing to the stand taken by Mr. Baylis at the hearing, it is not necessary for us to determine whether or not the difference in rates upon lima bean straw is justifiable.

Some evidence was introduced in support of defendant's allegation that cars moving into Los Angeles are apt to be loaded out more promptly than when they move into Ventura, owing to Los Angeles being a larger shipping center; but complainant introduced testimony to the effect that during the season when bean straw is being shipped into Ventura, beans are being shipped out of that city and that, for a number of years past, during such periods, the problem has not been that of obtaining sufficient tonnage at Ventura to fill defendant's cars, but of supplying the shippers in that city with sufficient cars to meet their requirements.

The fact that there is no retarder factory at Los Angeles is no defense to the charge of discrimination, for it would hardly be reasonable to require the city of Ventura to lose complainant's factory, or to have a rival factory established in Los Angeles, before it would have a right to complain of the discrimination. Complainant's factory was located in Ventura, apparently on account of the loyalty of its promoters to their home town, and in spite of the higher freight rates; but the city of Ventura could hardly expect outside capital to erect factories at this point under the heavy handicap of higher freight rates than those applying to Los Angeles. In other words, we do not consider it necessary for complainant to wait until the horse has been stolen before locking the stable door.

After full consideration of all the evidence, we find that while defendant's tariff does not grant any preference or advantage to any person or corporation, it does result in the maintenance of an unreasonable difference as to rates between the cities of Los Angeles and Ventura for the carriage of blackeye bean straw, which discrimination should be removed.

The record does not contain any proof of damages to complainant by reason of the discrimination found to exist, to justify an award of reparation, and none will be made.

ORDER.

A public hearing having been held in the above-entitled proceeding and the same having been submitted upon briefs of the respective parties and the commission being fully apprised in the premises, and basing its order upon the findings of fact which appear in the foregoing opinion,

It is hereby ordered that the Southern Pacific Company within sixty (60) days of the date of this order remove the discrimination against the city of Ventura now existing in the rates for the shipment of blackeye bean straw from Santa Susana, Simi, Moorpark and any other points in Ventura County to said city of Ventura.

Dated at San Francisco, California, this twenty-third day of April, 1917.

Decisions Nos. 4261, 4262, 4263, 4264 and 4265, grade crossings; not printed. See end of volume.

DECISION No. 4266.

IN THE MATTER OF THE APPLICATION OF MARIN MUNICIPAL WATER DISTRICT FOR AN ORDER OF THE RAILROAD COMMISSION FIXING AND DETERMINING THE JUST COMPENSATION TO BE PAID TO NORTH COAST WATER COMPANY FOR ITS LANDS, PROPERTY AND RIGHTS.

Application No. 1154.

Decided April 25, 1917.

Marin Municipal Water District alleges that the North Coast Water Company has permitted its properties to unreasonably depreciate and petitions the commission to determine the amount of such deterioration which, it contends, was caused by the failure to pay its county and town taxes for the fiscal years 1916-1917.

1. A water district to obtain a modification of the commission's findings of value in connection with condemnation proceedings under the provisions of section 47 of the Public Utilities Act, must show that unreasonable depreciation or deterioration in the value of the utilities property has taken place and also the amount thereof.
2. The question as to whether or not it is incumbent upon a water district to ultimately pay delinquent taxes on property in which it has at the present time only a possessory right and has not as yet obtained a final decree in condemnation, is a question at law which can only be decided by the courts. Until the courts have spoken the commission can not determine whether or not unreasonable depreciation has occurred. Petition dismissed without prejudice.

George H. Harlan, for Marin Municipal Water District.

Charles S. Wheeler and **John F. Bowie** and **Nathan M. Moran**, for North Coast Water Company.

THELEN, *Commissioner*.

OPINION ON FIRST SUPPLEMENTAL PETITION OF MARIN MUNICIPAL WATER DISTRICT.

Marin Municipal Water District, hereinafter referred to as the water district, has filed herein its first supplemental petition, asking the Railroad Commission to make its finding declaring that North Coast Water Company, hereinafter referred to as the water company, has permitted the property which is the subject matter of this proceeding "to unreasonably depreciate or deteriorate in value" and declaring the amount of such unreasonable depreciation or deterioration.

The alleged unreasonable depreciation or deterioration in value is claimed by the water district to have been caused by the failure of the water company to pay the taxes assessed against the property by the county of Marin and the town of Mill Valley for the fiscal year 1916-1917, and by permitting penalties to accrue from the failure to pay the first installment of said taxes.

The water district's petition alleges, in effect, that on April 9, 1915, the Railroad Commission made its findings herein declaring that the just compensation to be paid by the water district for specified lands, property and rights of the water company was the sum of \$289,200.00; that the water district thereafter, within the time specified by section 47 of the Public Utilities Act, commenced an action in the Superior Court of the state of California in and for the county of Marin, entitled "*Marin Municipal Water District vs. North Coast Water Company et al.*," in which action the Superior Court thereafter made its decree in condemnation; that thereafter, on November 1, 1916, the water district paid to the water company the just compensation determined in said decree and, under order of the Superior Court, entered into the possession of said lands, property and rights; that the original petition herein was filed on April 24, 1914, and that the date of the payment of the compensation fixed and determined by the Railroad Commission herein was November 1, 1916; and that between the date of the filing of said petition and the payment of said compensation by the water district to the water company, the water company permitted said lands, property and rights to unreasonably depreciate or deteriorate in value by failing to pay the taxes assessed thereon by the county of Marin and the town of Mill Valley for the fiscal year 1916-1917 and by permitting penalties to accrue by reason of failure to pay the first installment of said taxes. The petition asks the Railroad Commission to make its finding under the provisions of section 47 of the Public Utilities Act, as hereinbefore indicated.

The water company filed a motion to dismiss, urging various grounds, and also an answer and a cross-petition.

A public hearing was held in San Francisco on April 9, 1917, at which time evidence was introduced, argument presented and this proceeding submitted. Memoranda of authorities have been filed by the parties and this proceeding is now ready for decision.

In accordance with stipulation at the hearing, a copy of the judgment of the Superior Court in and for the county of Marin, made and filed on March 21, 1916, in said case of *Marin Municipal Water District vs. North Coast Water Company*, was filed by the water company subsequent to the hearing herein and has been marked "Exh. No. 1 of Water Company on First Supplemental Petition of Water District."

The evidence shows that the taxes and penalties herein under consideration are as follows:

<i>County of Marin Taxes.</i>	
First installment -----	\$727 39
Penalties on first installment-----	109 12
Second installment -----	717 56
<i>Town of Mill Valley Taxes.</i>	
First installment -----	\$309 80
Penalties on first installment-----	40 76
Second installment -----	37 80

These taxes were assessed for the fiscal year July 1, 1916, to June 30, 1917, and became a lien on the first Monday in March, 1916. The first installment became payable on Monday, October 16, 1916, and became delinquent on Monday, December 4, 1916. The second installment became payable on Monday, January 1, 1917, and unless paid, will be delinquent on Monday, April 30, 1917.

Section 47 of the Public Utilities Act, after providing for the making of findings by the Railroad Commission on the original petition by the public authority and for the entry of judgment in condemnation by the Superior Court, continues as follows:

"The judgment (of the superior court) shall include a provision, in substance, that said judgment is subject to modification on account of any unreasonable depreciation or deterioration in value of the property taken, or on account of any loss which might be suffered by the owner of said public utility through his being required to properly take care of said property, as is hereinafter more fully provided for. If between the date of the filing of any such petition and the payment of the compensation to the owner of the public utility, the owner of the public utility shall permit the property taken to unreasonably depreciate or deteriorate in value, the said county, city and county, incorporated city or town, municipal water district, county water district, irrigation district, public utility district or other public corporation may file with the commission a petition setting forth that fact, and praying that the commission determine and fix the amount of said unreasonable depreciation or deterioration. The commission shall thereupon order a copy of said petition to be served upon the owner of said public

utility with an order to within ten days appear before said commission and show cause why there should not be deducted from the amount of compensation to be paid an amount sufficient to cover said depreciation or deterioration. The commission shall on the day so fixed, unless for good cause the hearing is continued, proceed to ascertain whether there has been any such depreciation or deterioration, and if so, what amount should be deducted therefor from the compensation to be paid. Hearings shall be had in the same manner as provided in section 70 of this act. The commission shall thereupon certify to the court any amount which may be determined upon that should be so deducted from the compensation, and the court shall thereupon modify its judgment in order to conform with said ascertainment by said commission."

The water district must show that there has been unreasonable depreciation or deterioration in value of the water company's lands, property and rights herein under consideration and the amount of such depreciation or deterioration. Unless testimony is presented on which the Railroad Commission can make such findings, this proceeding must be dismissed.

That the water district has as yet made no payment by reason of the tax liens and penalties herein referred to is conceded. Whether the water district will hereafter be compelled in order to prevent a legal sale of the property by reason of unpaid taxes and penalties, to make such payment, is the subject of distinct disagreement between counsel for the water district and the water company, respectively.

On the one hand, the water district urges that, in order to save the property from tax sale, it will be necessary for the water district to pay the taxes and penalties herein referred to and that the necessity for such payment constitutes a present "unreasonable depreciation or deterioration in value" of the property.

On the other hand, the water company contends that there has been a merger of the tax liens with the water district's title or possessory right to the property, that the taxes heretofore assessed and levied can not be collected and that the water district, consequently, can suffer no damage, present or prospective, by reason of the water company's failure to pay said taxes and penalties. In support of this contention, the water company relies principally on *Webster vs. Board of Regents of the University of California*, 163 Cal. 705, decided on September 20, 1912. In the Webster case, the Supreme Court held, in effect, that where the board of regents of the state of California were mortgagees of certain land and the title of the mortgagor was later sold to the state for failure to pay state and county taxes assessed on the mortgagor's interest in the land, the purchaser of the tax title from the state "obtained only the right and title of the mortgagor in the land, that is, the right to pay off the mortgage at any time before the foreclosure sale

and the right to redeem from said sale within six months after it was made, and thereupon to hold the land discharged therefrom." The board of regents having foreclosed the mortgage and purchased the land on foreclosure sale and the purchaser of the tax title having failed to pay off the mortgage or to redeem the land from the sale on foreclosure, the Supreme Court held that the interest of the purchaser of the tax title had been extinguished by the foreclosure sale and the deed thereunder and that the title was in the board of regents free from any claim of the purchaser of the tax title. This case, in my opinion, can not properly be referred to as a case of merger of a tax title with the fee, but rather as a case in which a tax title, limited and conditional in its inception, later is extinguished by reason of the failure of its purchaser to comply with the conditions which attached thereto. I desire to draw attention, furthermore, to the fact that the Webster case differs from the present proceeding in at least two important respects, as follows:

1. Whereas in the Webster case, the fee of the property became vested in the board of regents, the water district has as yet only a possessory interest for the reason that a final decree of condemnation has not as yet been entered in favor of the water district.
2. Whereas the taxes in the Webster case were both state and county taxes, the taxes in the present proceeding are not state taxes at all, but are solely county and town taxes.

That the distinction between state taxes on the one hand and county and town taxes on the other is vital in a question of this character appears from *City of Santa Monica vs. Los Angeles County*, 15 Cal. App. 710, decided on March 24, 1911, a case not referred to by the parties herein. A petition to have the case heard by the Supreme Court after judgment in the District Court of Appeal was denied. In the *City of Santa Monica* case, it appeared that the city of Santa Monica bought certain land subsequent to March 1, 1903, but before the county taxes were levied and assessed in September, 1903. The city paid the taxes under protest and brought suit against the county of Los Angeles to recover the amount paid. Judgment for the city was reversed by the District Court of Appeal. The city of Santa Monica contended that "the lien of the county and state merged in the title acquired by the municipality, which is an integral part of the state government." In overruling this contention, Allen, P. J., said (p. 713):

"The taxes so levied upon the property were levied and assessed by the county for purposes within its jurisdiction. The bare acquisition of the premises upon which the tax levy attached did not carry with it any interest or estate in the lien therein created for county purposes. There was, therefore, no vesting of any lesser estate, held in the same right or otherwise, through which a merger could be said to result."

Justice Allen concluded as follows:

“The plaintiff (City of Santa Monica), when it acquired this land, took it subject to the lien for county purposes to the same extent as would a private purchaser.”

In *Smith vs. City of Santa Monica*, 162 Cal. 221, decided on February 10, 1912, the Supreme Court referred to the decision in 15 Cal. App. 710, as follows:

“In this case the question is not of the merger of a lien held by the county for a county tax, the question which was presented in *City of Santa Monica vs. Los Angeles County*, 15 Cal. App. 710.”

Whatever views the Railroad Commission may entertain concerning the question of law here at issue, the fact remains that, if the parties do not reach some fair, satisfactory adjustment between themselves, this question can be decided only by the courts and that the courts have not spoken on the facts of this case. On the facts as they are herein presented, the Railroad Commission can not know whether the water district must ultimately pay the taxes and penalties herein referred to and hence can not make a finding as to whether or not there has been unreasonable or any depreciation or deterioration in value of the property.

It is not necessary to decide herein whether, in case the water district should necessarily pay said taxes and penalties to prevent a legal sale of the property, the failure of the water company to make such payment would constitute an “unreasonable depreciation or deterioration in value” of the property, as those words are used in section 47 of the Public Utilities Act. If the parties herein reach an amicable adjustment on the basis of the decision in *City of Santa Monica vs. Los Angeles County*, *supra*, or otherwise, it will not be necessary to pass on this and other questions presented by the water company on the motion to dismiss.

I recommend that the first supplemental petition of the water district herein be denied, without prejudice, and submit the following form of order:

ORDER.

Marin Municipal Water District having filed its first supplemental petition herein as indicated in the opinion which precedes this order, North Coast Water Company having filed a motion to dismiss said petition as well as an answer and a cross-petition, a public hearing having been held, briefs having been filed and the matter having been submitted.

It is hereby ordered that the first supplemental petition of Marin Municipal Water District be and the same is hereby denied, without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of April, 1917.

DECISION No. 4267.

IN THE MATTER OF THE APPLICATION OF ROGERS DEVELOPMENT COMPANY FOR AN ORDER AUTHORIZING THE SALE OF A CERTAIN IRRIGATING CANAL SYSTEM AND OF WEST RIVERSIDE CANAL COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE BONDS IN THE AMOUNT OF SIXTY-SIX THOUSAND DOLLARS.

Application No. 2641.

IN THE MATTER OF THE APPLICATION OF WEST RIVERSIDE CANAL COMPANY TO ISSUE STOCK FOR PROPERTY AND HAVE COMMISSION FIX RATES FOR CARRYING WATER IN THE CANAL OF SAID COMPANY.

Application No. 2664.

Decided April 25, 1917.

West Riverside Canal Company authorized to issue \$350.00 par value of stock in addition to the \$99,300.00 heretofore authorized. Its form of stock certificates are also approved and it is permitted to use the sum of \$3,387.81 of the proceeds of bonds heretofore authorized to discharge an indebtedness in a like sum.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas applicant in the above-entitled proceedings, on April 20, 1917, filed with the commission its supplemental application wherein it requests that the time within which it may issue the \$350.00 par value of stock authorized to be issued by Decision No. 3507, dated July 13, 1916, be extended to and including January 31, 1917; that it be permitted to issue \$350.00 par value of stock in addition to the \$99,300.00 par value of stock authorized to be issued by Decision No. 4040, dated January 20, 1917; that the commission approve the form of stock certificate attached to its supplemental application and marked Exhibit "A" and that the commission authorize applicant herein to expend \$3,387.81 obtained from the sale of its first mortgage bonds authorized to be issued by Decision No. 4040, dated January 20, 1917, for purposes set forth in Exhibit "B" attached to the aforementioned supplemental application; and

Whereas it appears to the commission that the better method requires that an order extending the time within which to issue the stock authorized by said Decision No. 3507, dated July 13, 1916, should be entered

in the proceeding entitled "*In re Application of West Riverside Canal Company to issue stock to its Directors*"—Application No. 2399; and

Whereas the commission finds the form of stock certificate attached to the supplemental application, filed on April 20, 1917, satisfactory in form and that applicant should be authorized to issue additional stock in the amount of \$350.00; and

Whereas Condition Five of the order found in Decision No. 4040, dated January 20, 1917, appropriated \$6,150.00 of the proceeds obtained from the sale of bonds to pay for proposed improvements; and provided, further, that \$1,846.19 of the proceeds obtained from the sale of bonds shall be expended as hereafter authorized; and

Whereas applicant now asks authority to expend said \$1,846.19 and \$1,541.62 of said \$6,150.00 to pay expenses listed in Exhibit "B" attached to the supplemental application filed April 20, 1917, said expenses aggregating \$3,387.81; and

Whereas it appears that of the \$3,387.81 the amount of \$2,217.92 represents interest and taxes which are chargeable to operating expenses and that applicant proposes to temporarily withdraw from the funds heretofore appropriated for improvements the amount necessary to pay said \$2,217.92 and to restore the same to the improvement fund when necessary; and

Whereas it appears to this commission that applicant's requests are reasonable and should be granted, subject to the conditions hereinafter specified,

It is hereby ordered that West Riverside Canal Company be and hereby is granted authority to execute stock certificates, substantially in the same form as the stock certificate marked Exhibit "A" and attached to the supplemental application filed on April 20, 1917, in the above-entitled proceedings.

It is hereby further ordered that the provision of the order found in Decision No. 4040, dated January 20, 1917, reading:

"It is hereby further ordered that West Riverside Canal Company be and hereby is granted authority to issue \$99,000.00 par value of its common capital stock"

be and hereby is amended so as to read:

"It is hereby further ordered that West Riverside Canal Company be and hereby is granted authority to issue \$99,650.00 par value of its common capital stock."

It is hereby further ordered that West Riverside Canal Company be and hereby is granted authority to use \$3,387.81 obtained from the sale of its bonds authorized to be issued by Decision No. 4040, dated January 20, 1917, to pay indebtedness aggregating \$3,387.81 listed in Exhibit "B" attached to the supplemental application filed April 20, 1917, in

the above-entitled proceedings, said authority being granted upon the following conditions and not otherwise:

1. The funds used by applicant to pay said indebtedness shall consist of the \$1,846.19 referred to in subdivision "E" of Condition Five of the order found in Decision No. 4040, dated January 20, 1917, and \$1,541.62 of the aforementioned \$6,150.00 appropriated for proposed improvements.

2. On or before December 31, 1917, there shall be set aside and added to the balance of \$4,645.32, appropriated for proposed improvements, the sum of \$2,117.91, representing the proceeds obtained from the sale of bonds used temporarily to pay interest and taxes referred to in items one to four, both inclusive, listed in Exhibit "B" attached to the supplemental application filed on April 20, 1917, in the above-entitled proceedings.

It is hereby further ordered that Condition Three of the order found in Decision No. 4040, dated January 20, 1917, in so far as it refers to the filing of a copy of the agreement relating to the use of the canal be vacated and set aside.

It is hereby further ordered that the order found in Decision No. 4040, dated January 20, 1917, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-fifth day of April, 1917.

DECISION No. 4268.

IN THE MATTER OF THE APPLICATION OF INTERURBAN LAND COMPANY FOR PERMISSION TO SELL AND OF RIVER STREET DITCH COMPANY FOR PERMISSION TO BUY THAT CERTAIN WATER RIGHT AND WATER DITCH COMMONLY CALLED "RIVER STREET DITCH," IN VENTURA COUNTY, CALIFORNIA, AND OF RIVER STREET DITCH COMPANY FOR PERMISSION TO ISSUE FIVE THOUSAND DOLLARS PAR VALUE OF ITS CAPITAL STOCK.

Application No. 2780.

Decided April 26, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

It is hereby ordered that the last paragraph of the opinion heretofore rendered in this proceeding on April 11, 1917, be and the same is hereby amended to read as follows:

Thermal Belt Water Company caused the organization of the River Street Ditch Company to secure through the ditch in question a supplemental supply of water. It gave assurance at the hearing

that it will discharge all the obligations of Interurban Land Company as a public utility, and will extend such public service through the River Street Ditch to the extent of said water right, as demand arises.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

DECISION No. 4269.

IN THE MATTER OF THE APPLICATION OF O. SCRIBNER, CHAS. B. BILLS, C. E. McLAUGHLIN, AS TRUSTEE, AND T. G. PATTON, FOR PERMISSION TO SELL, AND OF DIAMOND RIDGE WATER COMPANY TO PURCHASE, AND TO ISSUE ITS CAPITAL STOCK FOR, ALL OF THE WATER RIGHTS, DITCHES, CANALS, RACES, FLUMES, PIPES, DAMS, RESERVOIRS, RIGHTS OF WAY, EASEMENTS, FRANCHISES, PRIVILEGES, LANDS AND PROPERTY OF EVERY KIND BELONGING OR APPURTENANT TO AND CONSTITUTING THE "DIAMOND RIDGE DITCH SYSTEM" IN EL DORADO COUNTY, CALIFORNIA, AND CERTAIN OTHER WATER RIGHTS, DAM SITES AND DITCHES TO BE USED THEREWITH.

Application No. 2799.

Decided April 26, 1917.

Scribner et al. authorized to transfer that certain ditch system known as the "Diamond Ridge Ditch System" to the Diamond Ridge Water Company and the latter named company is authorized to issue and deliver \$100,000.00 par value of its common capital stock in exchange therefor; provided, such amount of stock shall not be advanced as establishing a value of such system for rate fixing or other purposes.

C. A. Swisler, for Applicants.

By THE COMMISSION.

OPINION.

This is an application by O. Scribner, Chas. B. Bills, C. E. McLaughlin, as trustee, and T. G. Patton, for authority to sell, and of Diamond Ridge Water Company, a corporation, for authority to purchase, a certain water system in El Dorado County, together with certain water rights and other property connected therewith, which system and property are more particularly described in the appendix annexed to this decision. Diamond Ridge Water Company also requested authority to issue to the present owners capital stock in such an amount as the commission might authorize for the purchase of said properties.

A public hearing was held in Placerville, April 20, 1917, before Examiner Bancroft.

The Diamond Ridge Water Company was organized in March, 1916, with an authorized capital stock of the total par value of \$500,000.00, divided into 10,000 shares of the par value of \$50.00 each, no stock

having thus far been issued excepting one share to each of the five incorporators.

It appears from the evidence that this corporation was organized for the purpose of taking over the properties above mentioned and that the sole object of this application is to transfer the same from individual to corporation ownership. The present owners are to receive stock in the corporation in proportion to their present interests. As the property is now being operated at a considerable annual loss, it would be extremely difficult for this commission to determine its value in its present condition. Aware of this fact, applicants at the hearing requested the commission to authorize the transfer for any nominal amount of stock which the commission might deem proper, upon the understanding that the amount of stock thus authorized for the purchase price of the properties should not be regarded as a determination of the value of the system for any purpose whatsoever.

Mr. J. B. Holly, applicant's engineer, estimated the total depreciated value of the property at approximately \$520,000.00, the water rights being valued by him at \$300,000.00 and the depreciated reproduction cost of the entire system, unused as well as used, at \$220,000.00.

Milo H. Brinkley, one of the commission's engineers, testified that, basing his figures upon an examination of the property and the information given him by employees of applicants as to the construction of portions of the system, he had estimated the reproduction cost, less depreciation of the physical portions of the system in use, at \$186,334.00. He further stated that in his computations he had made no allowance for depreciation of earthwork in the ditches, and that he had made no estimate as to the present value of the system. This system was originally installed for mining purposes and the reproduction cost may have only a comparatively slight bearing upon its present value; but since, for the reasons above set forth, there is no need of our making any determination in this proceeding as to the value of the property, we shall grant the application and authorize Diamond Ridge Water Company to issue the arbitrary amount of \$100,000.00 par value of its capital stock in payment for the properties transferred.

ORDER.

O. Scribner, Chas. B. Bills, C. E. McLaughlin, as trustee, and T. G. Patton, having applied to this commission for authority to sell to Diamond Ridge Water Company their water system, hereinafter more particularly described, and Diamond Ridge Water Company having requested authority to issue capital stock in payment for the same, and a public hearing having been held, and it appearing to this commission for the reasons set forth in the foregoing opinion that the application should be granted,

It is hereby ordered that O. Scribner, Chas. B. Bills, C. E. McLaughlin, as trustee, and T. G. Patton be and the same are hereby authorized to sell to Diamond Ridge Water Company for \$100,000.00 par value of the stock of said corporation, all the property, real or personal, described in the appendix hereto, marked Appendix "A," and hereby incorporated into and made a part of this opinion and order.

It is hereby further ordered that Diamond Ridge Water Company be and the same is hereby authorized to issue to the present owners of said properties \$100,000.00 par value of its capital stock in payment for said properties.

The authority herein granted is granted upon the express understanding that the said purchase price of \$100,000.00 is merely an arbitrary sum fixed solely for the purpose of this proceeding, and subject to the condition that said purchase price and the action of this commission in authorizing the issue of said stock and the transfer of said properties shall not be binding either upon Diamond Ridge Water Company, or upon this commission or any other rate fixing body, as affecting the valuation of said properties for rate fixing, or any other purposes.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

APPENDIX "A."

Property owned by O. Scribner, Chas. B. Bills and C. E. McLaughlin, as trustee, and constituting the "Diamond Ridge" Ditch System, situated in the County of El Dorado, State of California:

All that system of canals, ditches, races, flumes, rights of way, pipes, reservoirs, dams, water rights and franchises which are described in and conveyed by that certain deed dated November 24th, 1873, executed by W. H. Brown, Sheriff of El Dorado County, to Henry Miller, which deed is now of record in the office of the County Recorder of said El Dorado County in Book "Q" of Deeds at page 12, et seq., and which said system of canals, ditches, races, flumes, rights of way, pipes, reservoirs, dams, water rights and franchises are in said deed more particularly referred to and described as follows: All that system of canals, ditches, races, flumes, rights of way, pipes, reservoirs, dams, water rights, and franchises of the Eureka Canal Company of El Dorado, and which are better known and described as the Jones, Bradley, and American Reservoir extension main trunk canals or ditches, with the water rights belonging thereto, used in connection with such ditches; also each and any reservoir connected with either of the same; and also the auxiliary or branch ditches connected with or used in connection with said Jones, Bradley, and American Reservoir extension main trunk ditches, together with the water rights and reservoirs belonging to or used in connection with such branch or auxiliary ditches, and which such branch or auxiliary ditches are known as and by the names of Sugar Loaf, Indian Creek, Empire, Logtown, Waldo, Pekin, Frenchtown, Saw-mill Creek, Mound Spring, Buck's Flat, New York Ravine, Carson Creek, Big Ravine and Bean Hill ditches, all of which are situated in El Dorado County, State of California, together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining.

Also the ditch known as the High Camp Creek Ditch, beginning at a point on Camp Creek opposite the New Baltic Sawmill and extending about five and one-quarter miles in a northwesterly direction to Park Creek at Hazel Valley into which

the waters conveyed by said ditch drop, together with all water rights belonging thereto or used in connection therewith, situated in Diamond Springs township, in said County of El Dorado.

Also the ditch known as the Park Creek Ditch, beginning at a point on Park Creek about one-half mile below or west of Sly Park and extending in a westerly direction five and one-half miles to the Dry Gulch Gravel Mine, together with all water rights belonging thereto or used in connection therewith, situated in said Diamond Springs township, in said County of El Dorado, excepting only, that certain branch ditch and its water rights mentioned in said Sheriff's deed of November 24th, 1873, as the Webber Creek Ditch and its water rights and appurtenances.

Said Diamond Ridge Ditch System is further described as including the following:

Camp Creek main line running from Camp Creek to Diamond Springs;

North Fork main line, running from the North Fork of Cosumnes River to Camp Creek;

High Camp Creek and *Newton* main line, running from Baltic or Camp Creek to Diamond Springs by way of Newton;

Diamond Springs American Reservoir main line;

Missouri Flat main lateral and minor laterals;

Carpenter Ditch main lateral and minor laterals;

Grand Victory and *Tiger Lily* main lateral and minor laterals;

Loafer's Hollow main lateral;

Springfield lateral;

Big Canyon main lateral;

Greenstone lateral; and

Two Diamond Springs reservoirs.

Also the American Reservoir tract of land situated in said County of El Dorado and described as follows, to-wit: All that portion of the west half of northwest quarter of Section Thirty-two (32) in Township Ten (10) North, of Range Nine (9) East, Mount Diablo base and meridian, lying west of a certain straight line running from the southwest corner of the north half of north half of northwest quarter of northwest quarter of said Section 32 in a southeasterly direction about 2500 feet to the northwest corner of the east half of east half of northwest quarter of southwest quarter of said Section 32, and containing 26.25 acres, more or less; also the west half of northwest quarter of southwest quarter and west half of east half of northwest quarter of southwest quarter of said section 32, (excepting, however, so much of said last described piece or parcel of land as is described as follows: Commencing at the northwest corner of the southwest quarter of southwest quarter of northwest quarter of southwest quarter of said Section 32, thence running south five chains, thence east five chains, and thence northwesterly to the place of beginning, and containing 1.25 acres), and containing, less said excepted piece or parcel, 28.75 acres, more or less. Also, the south half of the northeast quarter of northeast quarter, and the south half of north half of northeast quarter of northeast quarter of Section Thirty-one (31): that portion of the northwest quarter of northeast quarter of said Section 31 which lies east of a line commencing at the northeast corner of the southeast quarter of said northwest quarter of northeast quarter of said Section 31 and running thence in a straight line southwesterly to the southwest corner of the east half of the southeast quarter of said northwest quarter of northeast quarter of said Section 31; the east half of southwest quarter of northeast quarter of said Section 31; the southeast quarter of northeast quarter of said Section 31, the north half of north half of northeast quarter of southeast quarter of said Section 31; the southeast quarter of northeast quarter of northeast quarter of southeast quarter of said Section 31; that portion of the southwest quarter of northeast quarter of northeast quarter of southeast quarter of said Section 31 which lies east of a line commencing at the northwest corner of said last described two and one-half acre tract and running thence southeasterly in a straight line to the southeast corner of said tract; and that portion of the northeast quarter of southeast quarter of northeast quarter of southeast quarter of said Section 31 which lies east

of a line commencing at the northwest corner of said last described two and one-half acre tract and running thence in a straight line southeasterly to the southeast corner of said tract; all in Township Ten (10) north, of Range Nine (9) east, Mount Diablo Base and Meridian, and containing 107.50 acres, more or less.

Water rights situated in El Dorado County, California, described as follows:

Right to ten thousand inches of the natural waters, and one million inches of flood, freshet and storm waters, of the North Fork of the Cosumnes River as appropriated by Thomas G. Patton by notice dated March 25, 1911, and of record in said Recorder's office in Book "C" of water rights at Page 91.

DECISION No. 4270.

IN THE MATTER OF THE APPLICATION OF CRESCENT CITY WHARF
AND DOCK COMPANY FOR APPROVAL OF THE RENEWAL OF
WHARF FRANCHISE

Application No. 2279.

Decided April 26, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Crescent Wharf and Dock Company having filed a stipulation in accordance with the provisions of the order of the commission heretofore made on September 13, 1916,

It is hereby ordered that said stipulation be and the same hereby is approved.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

DECISION No. 4271.

IN THE MATTER OF THE APPLICATION OF FRANCES M. BLAKE FOR
PERMISSION TO CONSTRUCT A WHARF AND APPROVAL OF A
FRANCHISE AT BLAKE'S LANDING ON TOMALES BAY, MARIN
COUNTY, CALIFORNIA.

Application No. 2853.

Decided April 26, 1917.

Applicant has secured a franchise permitting the construction of a wharf into Tomales Bay at a point known as Blake's Landing; such franchise is approved, provided applicant shall not hereafter claim a value therefor in excess of the actual cost.

B. E. Blake, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application for approval of authority to construct a wharf extending

into the waters of Tomales Bay in Marin County, and to take tolls for the use thereof for the term of twenty years. Said authority is contained in resolution of the board of supervisors of Marin County, adopted April 2, 1917, entered in the minutes of said board in Minute Book M, at page 396.

The proposed wharf is to be ten feet wide and extend 200 feet beyond low water mark into the waters of Tomales Bay. It is to be located at a point known as Blake's Landing, about one mile southeast of Hamlet, on part of the 200 acres of land owned by applicant, which extends for about a mile along the shore line, and which is described in the patent from the government as bounded by low water mark. The county road and the Northwestern Pacific Railroad pass near the shore line and near the shore end of the proposed wharf. The contract has been let for the construction of the wharf at a cost in money and property estimated at about \$600.00.

Applicant contemplates engaging in the business of storing and warehousing goods in connection with the operation of the wharf, but does not plan to construct the warehouse now. Warehouse rates have not been determined upon.

ORDER.

Frances M. Blake having applied to the Railroad Commission for an order approving the authority granted to her on April 2, 1917, by resolution of the board of supervisors of Marin County to construct a wharf 200 feet long upon the northeasterly side of Tomales Bay at a point thereon commonly known as Blake's Landing, about one mile southeasterly from the town of Hamlet, and to take tolls for the use of said wharf for the term of twenty years, and a public hearing having been held, and the commission being of the opinion that the application should be granted,

It is hereby ordered that upon applicant filing with the commission a stipulation in writing in form satisfactory to the commission, signed by applicant, declaring that she, her representatives or assigns will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted by said board of supervisors in excess of the actual cost to applicant of acquiring said rights and privileges, which cost to applicant shall be stated in said stipulation, the Railroad Commission will by supplemental order herein grant said application and approve the authority granted to applicant by the board of supervisors of Marin County.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

DECISION No. 4272.
FRESNO TRACTION COMPANY
vs.
SAN JOAQUIN LIGHT AND POWER CORPORATION.

Case No. 1038.

Decided April 26, 1917.

- A complaint alleging that the rates charged and collected by defendant company for electric energy under the schedule established by the commission in what is known as the San Joaquin rate case, effects a considerable increase over rates heretofore paid, in that during summer months the maximum demand over one or more 15-minute periods is abnormally increased and that such abnormal short peaks result in a considerably increased rate.
1. A diversity may exist in the demands of a peculiar consumer with respect to its abnormal demands and the power system peaks. The evidence in the present case shows that the excessive demands of the traction company have occurred when a large part of the industrial load was absent. The load and service of the traction company distinguish such a consumer from other large consumers of the power company in that such features have a tendency to reduce the cost of service to a point below the average.
 2. While it has not been shown that the schedule heretofore established by the commission for large consumers on the system of defendant is in excess of the value or worth thereof, conditions may arise which warrant the continuance of a rate less profitable than the average. Such a system becomes objectionable only when it results in discrimination between consumers of the same class.
 3. Defendant required to reestablish, within ten days, the old contract rate of \$0.0085 per kilowatt hour for all energy served complainant, such rate to become applicable to all consumers of defendant receiving service similar to that of complainant, provided that should consumer's load conditions change, such rate shall be subject to reconsideration upon application of either party or upon the commission's own motion.

THELEN, *Commissioner.*

OPINION.

The issue in this proceeding is the rate to be paid for electric energy by Fresno Traction Company, hereinafter referred to as the traction company, to San Joaquin Light and Power Corporation, hereinafter referred to as the power corporation.

The complaint herein alleges, in effect, that the traction company is engaged in the transportation of passengers on its electric railway system in and about Fresno; that the traction company purchases electric energy from the power corporation at two substations, known as the Fresno substation, located in Fresno, and the Bullard substation, located on one of the traction company's lines of railway about eight miles north of Fresno; that during the month of May, 1916, the power corporation charged the traction company certain amounts for electric energy, which amounts were in excess of the amounts which would have been payable under a certain contract between the parties theretofore in effect; that during certain days subsequent to May, 1916, during

one or more 15-minute periods, the traction company's maximum demand has greatly increased, with resultant increased charges for electric energy; and that the charges claimed by the power corporation were assessed under schedules 9 and 10 fixed by the Railroad Commission by Decision No. 3241, made and filed on April 6, 1916, in the so-called San Joaquin rate cases (Vol. 9, Opinions and Orders of the Railroad Commission of California, p. 542), and that said charges as applied to the traction company, are unreasonably high. Complainant asks the Railroad Commission to make its order authorizing the traction company to receive electric energy from the power corporation at the rate specified in said contract and in effect prior to said Decision No. 3241.

The answer denies that the rates established by the Railroad Commission to be charged by the power corporation to the traction company are unjust or unreasonable and alleges that the rates charged by the power corporation are in accordance with the rates established by the Railroad Commission. The defendant asks that the complaint be dismissed.

A public hearing was held in San Francisco on March 8, 1917. Additional information requested at the hearing has now been filed by the parties and the case is ready for decision.

The Bullard substation supplies energy for the operation of a car line of the traction company about nine and one-half miles long, from Fresno north to a bathing place on the San Joaquin River known as Fresno Beach. Two 200-kilowatt motor-generator sets are installed in this substation. This car line is operated only during the summer months and nearly all the traffic is confined to Sundays and holidays.

The Fresno substation is located in a building owned by the power corporation at O and Fresno streets, in the city of Fresno. This building houses the conversion equipment and the boilers, steam driven generators and transformers owned by the power corporation and used by it partly to provide a reserve source of power in connection with service supplied to the traction company and partly in connection with the supply of electric energy to the power corporation's Fresno distribution system. Attendants employed by the power corporation operate all the equipment in the substation, including the equipment owned by the traction company. This substation supplies the traction company's urban system and also certain lines radiating from the city, including a line to a recreation park owned and operated by the traction company.

The transportation of large crowds from these various places of amusement causes a large increase in the peak load of the traction company's railroad system as compared with its normal maximum

demand. Accordingly, the traction company's maximum demand is largely increased during those months in which these holiday crowds are carried, and its monthly load factor is correspondingly reduced. These abnormal peaks usually occur on general or local holidays and are not frequent.

Prior to the effective date of said Decision No. 3241, this service was supplied by the power corporation in accordance with the terms of a contract dated November 1, 1914, between the power corporation and the traction company. The provisions of this contract, in so far as material herein, are as follows:

Term—Five years from November 1, 1914, with option of renewal.

Conversion equipment—To be owned by the traction company and to be installed by it in the power corporation's Fresno substation and to be operated by employees of the power corporation.

Other points of delivery—In the supply of energy to other points served by the power corporation's lines, the traction company to furnish both building and conversion equipment.

Character of service—3-phase, 60-cycle alternating current, requiring not more than one transformation from the transmission line voltage.

Rate—8½ mills per kilowatt hour of metered consumption. No minimum charge.

Utilization—Electric energy to be used for the operation of the railway system and car barn machinery, lighting of offices, car barns, substations and amusement parks of the traction company.

On April 6, 1916, this commission issued its said Decision No. 3241, entirely revising the rates, rules and regulations of the power corporation. The decision became effective on May 1, 1916. In this decision, rates were fixed applicable to the service received by the traction company, being schedules 9C and 10, applying to service supplied respectively to the Bullard substation and to the Fresno substation. The traction company made no appearance at the public hearings which were held in Fresno and elsewhere in the San Joaquin rate cases and did not in any way draw the commission's attention to the very unusual conditions under which it receives service from the power corporation.

The rates applicable to service supplied by the power corporation to the traction company appear in schedules 9C and 10, as follows:

Schedule No. 9c.

Industrial Power Rates—Metered Service.

Applicable to all classes of power installations not otherwise provided for in separate schedules.

Installations in Excess of 50 horsepower.

One dollar (\$1.00) per month per kilowatt of measured maximum demand to which charge shall be added an energy charge of one cent (\$.01) per kilowatt hour for all energy supplied.

Minimum monthly charge \$20.00 if the installation remains connected to the company's system throughout the entire year.

The monthly measured maximum demand shall be the greatest average kilowatt demand delivered and registered during any fifteen (15) minute interval during the month.

Schedule No. 10.*Primary Voltage Service Rate—Metered Service.*

Applicable to consumer's installations having a monthly measured maximum demand of at least 125 kilowatts, and receiving service directly from the company's substation or directly from the company's primary distributing main, at the voltage of such substation or distributing main.

Two dollars seventy cents (\$2.70) per month per kilowatt of measured maximum demand, to which charge shall be added an energy charge of one-quarter ($\frac{1}{4}$) cent per kilowatt hour for all electric energy supplied.

Annual minimum charge \$12.00 per kilowatt of substation capacity used.

The monthly measured maximum demand shall be the greatest average kilowatt demand delivered and registered during any fifteen (15) minute interval during the month.

As a result of said Decision No. 3241 the rate to the traction company was changed from one in which the entire charge was based on the energy consumed, to separate two-part rates based both on the energy consumed and on the monthly income demand.

The demand element in this form of rate, when applied to the abnormal peaks heretofore mentioned, effected a considerable increase in the bills of the traction company for the months in which these peaks occurred.

A comparative statement showing the traction company's consumption of electric energy from May, 1916, to February, 1917, inclusive, computed both in accordance with Schedule No. 9C and Schedule No. 10, and under the former contract rate, follows:

	Maximum demands, kilowatts		Consumption, kilowatt hours		Monthly bills under commission schedule			Monthly bills under contract rate, (\$.0055 per kilowatt hour)		
	Fresno	Bullard	Fresno	Bullard	Fresno	Bullard	Total	Fresno	Bullard	Total
1916—May -----	595.2	165.1	254,880	28,320	\$2,344 24	\$418 30	\$2,692 54	\$2,166 48	\$240 72	\$2,407 20
June -----	595.2	176.6	262,560	25,920	2,263 44	435 80	2,499 24	2,231 76	250 32	2,450 08
July -----	758.4	176.6	266,460	27,840	2,713 68	455 00	3,168 68	2,261 00	236 64	2,501 04
August -----	547.2	119.04	260,400	27,840	2,128 44	397 44	2,525 88	2,213 40	236 64	2,450 04
September -----	980.0	126.7	286,800	13,440	3,369 00	261 10	3,570 10	2,437 80	114 24	2,552 04
October -----	816.0	-----	289,200	-----	2,926 20	-----	2,926 20	2,458 20	-----	2,458 20
November -----	696.0	-----	276,000	-----	2,569 20	-----	2,569 20	2,346 00	-----	2,346 00
December -----	624.0	-----	277,200	-----	2,377 80	-----	2,377 80	2,356 00	-----	2,356 00
1917—January -----	624.0	-----	277,200	-----	2,377 80	-----	2,377 80	2,356 20	-----	2,356 20
February -----	564.0	-----	246,000	-----	2,137 80	-----	2,137 80	2,091 00	-----	2,091 00
Totals -----	-----	-----	-----	-----	*\$25,017 60	*\$1,997 64	*\$27,045 24	†\$22,921 44	†\$1,048 56	†\$23,970 00

*Total on basis of present schedule: May, 1916, to February, 1917, inclusive.

†Total on basis of contract rate: May, 1916, to February, 1917, inclusive.

The effect of the new rate has been to increase the cost of electric service to complainant approximately 13 per cent, due largely to the abnormal short peaks hereinbefore referred to.

Evidence was presented herein to show the time relation between the traction company's maximum demand and the maximum demand on the power corporation's generating system. An analysis of this evidence shows that a diversity peculiar to this consumer has existed in the past with respect to its abnormal demands and the power system peaks. In addition to the effect of the inverse relation which usually exists between load factor and diversity, the excessive demands of the traction company have occurred on days when a large part of the industrial load has been absent. The evidence shows further that an absolute diversity exists between a portion of the demands of the Fresno and Bullard substations.

In determining the cost of service as a basis for the rate fixed in Decision No. 3241, this commission gave consideration to the average diversity and other characteristics of the various classes of load on this system. It now appears that the load of this consumer differs in these features from the class average, in a manner and degree which are apparently sufficient to warrant a separate classification. The service supplied to the traction company at Fresno is also different, as compared with other customers in the same rate classes, in that the power corporation provides, at its own expense, housing and attendance for the utilization equipment.

The traction company reports estimated reproduction cost new of its substation buildings and equipment to be as follows:

Fresno substation—equipment only	\$22,603 00
Bullard substation—	
Building	\$947 22
Equipment	12,470 00
Subtotal	13,417 22
Total	\$36,020 22

The property of the power corporation devoted exclusively to the service of the traction company is reported by the power corporation to have an estimated reproduction cost new as follows:

Fresno substation— $\frac{1}{2}$ of substation building	\$1,777 85
Equipment	525 71
Subtotal	\$2,303 56
Bullard substation—pole line to substation	\$649 76
Equipment	3,647 52
Subtotal	4,297 28
Total	\$6,600 84

Testimony was presented by the traction company to show that the duration of the excessive maximum demands is approximately one-half hour. In view of this testimony, it appears that the 15-minute demand period has operated adversely on this consumer. By increasing this demand period to say, one hour, the effect would be to reduce these demands to a greater extent than the demands of other consumers of the same general classes. The criteria for establishing the proper interval over which the demand of a consumer should be integrated is quite difficult to determine. A very important related factor is the overload capacity of generators and transformers and the effect upon the same of intermittent, varying and constant loads. Another important point to be considered is the increased diversity which usually accompanies a variable load as compared with a constant one or an intermittent load recurring at short intervals. In recent years the best practice has shown a tendency to increase the demand interval in cases such as this one.

It appears from testimony of Mr. E. B. Walthall, representing the power corporation, that the factors referred to materially affected the power corporation's judgment in entering into the contract heretofore mentioned at the rate of \$0.0085 per kilowatt hour. Mr. Walthall further stated that the attitude of the power corporation is to interpose no objection to the restoration of the original rate.

As hereinbefore indicated, certain characteristics of the load and service of the traction company apparently distinguish this customer from other large consumers supplied by the power corporation. These features tend to reduce the cost of the service to a point below the average, except for the cost of furnishing building space and operators in the Fresno substation, which cost operates in the opposite direction. It appears proper that these points be recognized and given due weight in establishing the rate for this consumer. For example, it appears probable that the time interval upon which the demand charge is based should be increased, although the evidence is not sufficiently clear on this or the several other points to permit the construction at this time of a new rate which would be predicated upon all of the individual characteristics of this particular business.

While it is by no means clear that the rate heretofore established by the commission for large consumers of the power corporation is in excess of the value or worth of the service to the traction company, it must be apparent that there may arise conditions which would warrant the continuance of a rate less profitable than the average. Such rates become objectionable from the public's standpoint when discrimination results between consumers of the same class, or when by reason of their existence an undue burden is placed on consumers in other classes.

I believe it proper, in view of all the circumstances, to recommend the restoration of the contract rate of \$0.0085 per kilowatt hour for all the electric energy consumed by the traction company. In recommending this procedure, I appreciate the fact that a form of rate in which the charge is proportionate to only one element of the cost of service is liable to diverge widely from said cost, if the consumer's load conditions change. Accordingly, this rate should be fixed subject to reconsideration upon application of either party or upon action by this commission on its own motion, should load or service conditions of either the power system or the consumer change materially.

The parties stipulated that the order herein should apply to all electric energy sold by the power corporation to the traction company from May 1, 1916, to date.

I submit the following form of order:

ORDER.

The above-entitled proceeding having been submitted and being ready for decision,

It is hereby ordered as follows:

1. Within ten days from date of this order, San Joaquin Light and Power Corporation shall file with the Railroad Commission a rate of \$0.0085 per kilowatt hour for all electric energy sold by it to Fresno Traction Company and used by the latter for or in connection with its electric railway business.

2. Said rate shall be applicable to all other consumers of San Joaquin Light and Power Corporation receiving service under conditions substantially similar to the conditions under which electric energy is delivered to and utilized by Fresno Traction Company.

3. The rate herein established shall apply to all electric energy delivered by San Joaquin Light and Power Corporation to Fresno Traction Company on and after May 1, 1916.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

DECISION No. 4273.

IN THE MATTER OF THE APPLICATION OF THE CITY OF SAN FERNANDO THAT THE RAILROAD COMMISSION FIX AND DETERMINE THE COMPENSATION TO BE PAID THE SAN FERNANDO MISSION LAND COMPANY AND THE CONSOLIDATED SECURITIES COMPANY FOR THEIR CERTAIN WATER SYSTEMS IN THE SAID CITY OF SAN FERNANDO.

Application No. 2771.

Decided April 26, 1917.

A petition by the city of San Fernando that the Railroad Commission fix and determine the just compensation to be paid for certain portions of the distributing systems, rights of way, etc., of the San Fernando Mission Land Company and the Consolidated Securities Company in the city of San Fernando.

1. In finding the value of public utility property in connection with condemnation proceedings, the commission can not take into consideration estimates based on the probable value of such property for some future use to which the prospective purchaser may intend to put it, values must be determined upon the worth of the things to be transferred under the conditions and for the purposes for which they are being utilized at the time of the valuation.
2. The sum of \$12,500.00 having been fixed by stipulation as a fair price to be paid by the city for the properties of the Consolidated Securities Company, such sum is established and the sum of \$16,500.00 is found to be a fair and reasonable price to be paid San Fernando Mission Land Company for such of its properties as the city proposes purchasing.

H. A. Decker, city attorney, for city of Fernando.

Marshall Stinson and *Sayre Macneil*, for Maclay Rancho Water Company.

Percy B. Hammon, for Consolidated Securities Company.

W. H. Joyce, for San Fernando Mission Land Company.

LOVELAND, *Commissioner*.

OPINION.

This action is preliminary to the ownership and operation, by city of San Fernando, of a municipal water system, and is brought under the provisions of section 47 of the Public Utilities Act.

San Fernando Mission Land Company is engaged in the development of large tracts of land in the San Fernando Valley. A portion of its holdings consist of a plant for the sale and distribution of water for domestic purposes within the city of San Fernando. Consolidated Securities Company is also primarily a land company, a portion of its property being likewise devoted to public service for the supplying of water to the residents of the city of San Fernando. The entire properties of the Consolidated Securities Company, including the water system heretofore mentioned, were obtained by purchase under contract from Maclay Rancho Water Company, permission for such transfer

being secured from this commission on May 15, 1913, under Decision No. 669 in Application No. 545, entitled "In the Matter of the Application of Maclay Rancho Water Company for permission to sell, and of the Consolidated Securities Company for permission to buy, a certain telephone system and a certain water and power system in and about San Fernando, Los Angeles County, California" (Vol. 2, Opinions and Orders of Railroad Commission of California, p. 927). By a stipulation of counsel the evidence in this matter was introduced in the present application.

At a public hearing held in this matter in San Fernando, April 12, 1917, city of San Fernando filed an amended application containing amended inventories of the property sought to be acquired. By agreement of counsel, these amended inventories, in so far as they related to physical structures, were stipulated to be agreed inventories. The water properties of these companies, which applicant seeks to acquire in this proceeding, are confined to the mains, services, meters and the like, constituting their distributing systems, together with certain rights, rights of way, easements, franchises and licenses used in connection therewith, and eliminates from purchase their sources of supply, pumping plants, reservoirs, and, in the case of Consolidated Securities Company, certain transmission pipe lines used exclusively for the conveying of water through the city of San Fernando for irrigation use without the corporate limits of said city.

These water plants were installed at two distinct periods. The original systems were constructed about 1887, for the supplying of water for irrigation purposes, but the rapid growth of San Fernando subsequent to 1906 has resulted in comparatively large expenditures, particularly in the last five years, to meet the increased demands of the community for domestic water. While considerable testimony was introduced by city of San Fernando to show that those portions of the distributing systems installed in 1887 had reached the limit of their usefulness, in accordance with stipulations later introduced into the record, and reference to which will hereinafter be made in detail, counsel for both San Fernando Mission Land Company and Consolidated Securities Company agreed to waive any value which might be remaining in the pipe lines originally installed in 1887.

Appraisals of the physical structures inventoried in this application were submitted by James Armstrong, one of the commission's engineers. He testified that records of a large portion of the actual expenditures on these water properties were available and that to this extent

his appraisals should be considered as estimated actual cost. His figures are as follows:

	Estimated cost	Estimated cost, less depreciation
San Fernando Mission Land Company-----	\$21,516	\$14,968
Consolidated Securities Company-----	29,262	14,577

To the amounts representing the estimated cost and estimated cost less depreciation of the physical structures of the San Fernando Mission Land Company, it is necessary to add the sums of \$2,042.00 and \$1,856.00, respectively, for 1,600 feet of 9 $\frac{1}{2}$ " I. D. Casing installed in 1913, which, through error, were omitted from Armstrong's appraisal.

Using these appraisals as a basis, S. G. Chamberlin, city engineer, submitted estimates as to the value of these properties to the city of San Fernando, arriving at a figure of \$8,932.00 for the properties of the Consolidated Securities Company and, while presenting no definite amount, indicating for the properties of the San Fernando Mission Land Company a substantial reduction under the appraisal of the commission's engineer.

In view of the stipulations herein mentioned, it is not necessary to discuss in detail these estimates; but I do desire, however, to point out to counsel for the city the difficulty of accepting, in a proceeding of this character, the hypothesis on which they have been predicted. While it is evident they have been prepared in good faith after thorough investigation, the unsoundness of the theory advanced is apparent whenever carried to its ultimate conclusion. Mr. Chamberlin has evidently arrived at his values for these properties by calculating their worth to the city of San Fernando when, at some future time, they become merged into an enlarged municipal system; and while it is not only helpful but necessary, we have before us the opinion of the vendee as to what, in his mind, will constitute the benefit to be derived in putting the thing purchased to his own particular uses. I am entirely of the opinion, having in mind the regulatory power of this commission, that we are constrained to determine the worth of the things to be transferred under the conditions and for the purposes for which they are being utilized at the time of the valuation, and not under some future, different and, as might often be the case, less valuable use.

I shall now briefly state the stipulations entered into by counsel at the hearing. In effect, Consolidated Securities Company and San Fernando Mission Land Company, in consideration of the assumption by city of San Fernando of their obligations to deliver, within the city limits of San Fernando, water for both irrigation and domestic purposes, and of the granting by the city of San Fernando to them of the

right, subordinate to the rights of said city, to lay and maintain pipe lines, and to occupy such rights of way as are necessary therefor, for the transmission through said city of water for irrigation or for other uses outside the limits of said city, agreed to waive any and all damages which might accrue to them through the severance of the properties sought to be acquired from those remaining.

In pursuance of this agreement, city of San Fernando and Consolidated Securities Company jointly presented for the consideration of the Commission a figure of \$12,500.00 as representing the fair value of the properties to be obtained from Consolidated Securities Company. This agreed figure is considerably under that presented by the commission's engineer for the physical structures of this company alone and, I am of the opinion, represents a good bargain to the city of San Fernando. While no similar agreed value was presented relative to the properties of San Fernando Mission Land Company, the evidence shows that no exceptions, beyond those of omission heretofore referred to, were taken by either the city or the company to this appraisal, and I shall recommend it as a basis for findings.

FINDINGS.

City of San Fernando, an unincorporated city, having filed with the Railroad Commission a petition setting forth the intention of said city to acquire, under eminent domain proceedings or otherwise, certain property and rights of Consolidated Securities Company and certain property and rights of San Fernando Mission Land Company, public utilities operating within the boundaries of said city, and asking the Railroad Commission to fix and determine a just compensation to be paid to Consolidated Securities Company and to San Fernando Mission Land Company for these certain properties and rights, and a public hearing having been held and the commission being fully advised in the premises, the Railroad Commission hereby finds as a fact that the just compensation to be paid by the city of San Fernando to Consolidated Securities Company for such of said company's properties and rights, as said property and rights are described in Exhibit No. 1, which is attached hereto and made a part hereof, is the sum of \$12,500.00.

And the Railroad Commission finds as a fact that the just compensation to be paid by city of San Fernando to San Fernando Mission Land Company for such of said company's property and rights, as said property and rights are described in Exhibit No. 2, which is attached hereto and made a part hereof, is the sum of \$16,500.00.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1917.

EXHIBIT No. 1.**Property of Consolidated Securities Company.**

All rights of way, easements and licenses owned, occupied, held or used by the Consolidated Securities Company, a corporation, duly organized and existing under the laws of the State of California, in connection with the pipe lines and the water distributing system of said company, used by it in supplying water for domestic and irrigation purposes to the City of San Fernando and its inhabitants, and including the right belonging to said Consolidated Securities Company granted to it by mesne conveyances arising from the reservation contained in deeds heretofore made by the Trustees of Charles Maclay, the original subdivider of the lands of the Maclay Rancho to their various grantees, in all the lands of said rancho, except Blocks Numbers 192 and 228, lying in the City of San Fernando, said reservations being expressed in said deeds in substantially the following language:

"Reserving to said first parties, 1st, the right to lay water pipes across said land, the same to be at least two (2) feet below the surface; 2nd, reserving all and any artesian water that may at any time be developed upon the said land and not used thereon."

And also including the privilege and franchise of distributing water to said City of San Fernando and its inhabitants heretofore exercised by said Consolidated Securities Company, and also the franchise of said company to occupy and use the streets, alleys and public places within the City of San Fernando for the purpose of distributing such water.

Also the pipes, meters, services and fittings constituting the distributing system of said Consolidated Securities Company, within the city limits of San Fernando as follows, to-wit:

14" Riveted Steel #14 drive pipe -----	2,120 feet
6" Riveted Steel #16 drive pipe -----	16,302 feet
5" Riveted Steel #16 drive pipe -----	4,086 feet
4" Riveted Steel #16 drive pipe -----	20,121 feet
2" S. S. Black pipe -----	20,375 feet
1½" S. S. Black pipe -----	300 feet
1½" S. S. Black pipe -----	450 feet
1" S. S. Black pipe -----	230 feet
8" Low pressure cement pipe -----	650 feet
4" M. B. Redwood pipe -----	990 feet
8" O. D. Casing, dipped -----	120 feet
5" O. D. Casing, dipped -----	200 feet
4" O. D. Casing, dipped -----	828 feet
318 ¾" Service connections.	
5 1½" Service connections.	
7 2" Service connections.	
306 ⅝" x ¾" meters.	
5 1½" meters.	
7 2" meters.	
38 2" Gate Valves.	
33 4" Gate Valves.	
14 6" Gate Valves.	
2 8" Gate Valves.	

EXHIBIT No. 2.**Property of San Fernando Mission Land Company.**

All rights of way, easements and licenses owned, occupied, held or used by the San Fernando Mission Land Company in connection with the pipe lines and the water distributing system of said company used for furnishing and distributing water to the City of San Fernando and its inhabitants, and also that certain pipe line nine and five-eighths (9⅝") inches in diameter running about sixteen hundred (1600') feet

northwesterly beyond the city limits of the City of San Fernando to certain wells now and heretofore used by said San Fernando Mission Land Company in supplying water to that portion of its said water system within the City of San Fernando, and also the right of way for said pipe line belonging to said San Fernando Mission Land Company, extending northwesterly from the city limits of said City of San Fernando to said wells above mentioned belonging to said company, which said right of way is more particularly described in that certain deed thereof recorded in Book 6360, Page 99 of Deeds, Los Angeles County Records, reference to which is hereby made, together with the privilege and franchise of distributing water to said City of San Fernando and its inhabitants heretofore exercised by said San Fernando Mission Land Company, and also the franchise of said company to occupy and use the streets, alleys and public places within the City of San Fernando for the purpose of distributing such water.

Also the pipes, meters, services and fittings constituting the distributing system of said San Fernando Mission Land Company, within the city limits of San Fernando, as follows, to-wit:

10" O. D. Casing, dipped -----	1,290 feet
8" O. D. Casing, dipped -----	4,030 feet
6" O. D. Casing, dipped -----	4,820 feet
5" O. D. Casing, dipped -----	2,500 feet
4" O. D. Casing, dipped -----	7,530 feet
8" Riveted Steel #14 Drive Pipe-----	1,700 feet
6" Riveted Steel #16 Drive Pipe-----	2,240 feet
4" Riveted Steel #16 Drive Pipe-----	11,650 feet
2" W. I. Black Pipe-----	440 feet
416 $\frac{3}{4}$ " Service Connections.	
9 $\frac{3}{4}$ " x $\frac{3}{4}$ " Meters.	
1 1" Meter.	
2 10" Gate Valves.	
6 8" Gate Valves.	
20 6" Gate Valves.	
6 5" Gate Valves.	
10 4" Gate Valves.	

DECISION No. 4274.

C. K. HUDSON AND JOHN B. KUENY

vs.

CUYAMACA WATER COMPANY.

Case No. 1013.

Decided April 27, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The complaint in the above-entitled proceeding having been satisfied by the defendant, and good cause appearing.

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-seventh day of April, 1917.

DECISION No. 4275.

IN THE MATTER OF THE APPLICATION OF CORCORAN WATER AND GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 2789.

Decided April 27, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas on March 31, 1917, by Decision No. 4208, this commission authorized Corcoran Water and Gas Company to issue \$10,000.00 face value of its bonds so as to net said company not less than 91 per cent of their face value, and to apply the proceeds thereof to the installation of certain additions and improvements to its system; and whereas said decision contained a provision that \$500.00 of said proceeds should be held in applicant's treasury and should not be expended except upon the further order of this Commission; and

Whereas Corcoran Water and Gas Company on April 23, 1917, filed a supplemental petition, stating that applicant has had to incur additional obligations and expenditures, hereinafter set forth, in connection with the installation of said additions and improvements, and requesting this commission to authorize it to apply said sum of \$500.00 upon said additional obligations or expenditures; and the commission being of the opinion that the property or labor so procured or paid for is reasonably required for the purpose or purposes specified in this order and that said purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Corcoran Water and Gas Company be and the same is hereby authorized to expend said sum of \$500.00 heretofore ordered to be held in applicant's treasury, for the following purposes:

Foundation of tank, in addition to amount authorized under original order	\$84 00
Drain pipe for tank with flanges and valve.....	66 00
2,000 feet of three-quarter-inch connection pipe, dipped.....	160 00
Readjustment of pumping plant, in addition to amount authorized under original order	190 00
Total	\$500 00

It is hereby further ordered that all the provisions of said order in the above-entitled matter (Decision No. 4208) shall remain in full force and effect, except as modified or amended by this order.

Dated at San Francisco, California, this twenty-seventh day of April, 1917.

DECISION No. 4276.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO, NAPA AND CALISTOGA RAILWAY FOR AUTHORITY TO INCREASE ITS MONTHLY COMMUTATION FARE BETWEEN NAPA AND VALLEJO FROM FIVE DOLLARS TO SEVEN DOLLARS EIGHTY CENTS.

Application No. 2749.

Decided April 27, 1917.

1. The length of time a rate or fare has been in effect and the circumstances under which it was established can not be accepted by the commission as conclusive of its reasonableness. Conditions under which such rate was originally published may subsequently change, owing to various elements affecting operations; accordingly before determining the reasonableness thereof, the commission is obliged to consider existing transportation conditions.
2. The payment of a salary of \$6,000.00 per year to the president of a railroad the size of applicant is not warranted, especially when such official puts in very little time with the affairs of the company and such amount is more in the nature of an allowance to a large stockholder than a salary for services rendered.
3. A carrier is entitled to a higher rate for a particular service if the existing rate for such service is proven unreasonably low; this would still hold even though the carrier were not in need of additional revenues at the time of making application.
4. The submission of tables showing comparisons with rates in effect on other lines, while helpful, should be fortified by something more substantial than mere contrasts; i. e., evidence as to similarity of conditions, etc.
5. In fixing a commutation rate consideration must be given to the fact that a radical increase would have a tendency to disrupt the community life of those depending upon such service, besides injuring investments and causing commuters to move to the point at which they are employed.
6. Applicant's petition to increase commutation rate between Vallejo and Napa from \$5.00 to \$7.80 denied; it is, however, authorized to put into effect within twenty days a rate of \$6.00 per commutation book, good for one calendar month.

John T. York, for Applicant.

Alfred Austin Cohen and *C. W. DeJournette*, for the Napa-Vallejo Commuters Association, the Napa Merchants Association and the Napa Chamber of Commerce.

GORDON, Commissioner.

OPINION.

This application of the San Francisco, Napa and Calistoga Railway seeks authority under section 63 of the Public Utilities Act to increase the monthly commutation rate between Napa and Vallejo from \$5.00 to \$7.80, alleging the existing rate is not remunerative in consideration of the character of service rendered.

Protests were received from the Napa City Council and commercial interests of that place, also from the Napa-Mare Island Commuters' Committee and, accordingly, the petition was set for public hearing at Napa February 24, 1917, at which time testimony was taken and the case is now submitted for adjudication.

The present commutation rate has been in effect since April 1, 1911, at which time it was reduced from \$7.80 pursuant to agreement between carrier and the Napa Chamber of Commerce, under which the latter guaranteed the monthly purchase of 125 commutation books and agreed to reimburse the railway company for loss suffered account less number of books being sold.

Any deficit was paid by the chamber of commerce until through its efforts and those of the commuters' association, the travel was brought up to the requisite number, from which time it has steadily increased, until at present some 230 books are sold monthly.

The length of time this fare has remained in effect and the circumstances under which it was established, while enlightening, can not be accepted as conclusive evidence of its reasonableness. Conditions at the time a rate is published may subsequently change, and a rate reasonable at the time of its establishment may be unreasonable later, owing to various elements affecting operations and consequently carrier's revenue; therefore, it must be ascertained if the present rate is reasonable when existing transportation conditions are taken into consideration.

Among other things, attention is directed to the effect of the present \$5.00 fare on the established commutation scale between Vallejo and other points, due to the breaking down of through rates by combination on Napa, which is exemplified by the following table:

Monthly Commutation Fares.		
Between Vallejo and	Published fares	Napa combination
Union	\$9 15	\$8 00
Oak Knoll	10 60	8 05
Trubody	11 55	8 95
Yountville	12 50	9 90
Oakville	14 20	11 60
Rutherford	15 51	12 60
St. Helena	17 60	15 05
Calistoga	21 55	17 75

As Exhibit No. 1 applicant introduced a number of statements showing the earnings of the trains carrying commutation traffic.

The total earnings of these trains for the year ending June 30, 1916, are given at \$14,384.12. This figure is not actual, but is based on the average number of coupons and tickets collected during the months of May and June, 1916, on commutation and other trains affected. The commutation coupons collected are given a value of 10½ cents; this is in excess of the cost to the commuter, which, for a thirty day month, is a fraction over .083 cents per coupon. Applicant secured the 10½-cent average by dividing the total amount received for commutation

tickets by the total number of coupons collected, thus crediting to the commutation trains earnings based on the collection value of the coupons after the unused coupons covering Sundays, holidays and other nontravel days had been eliminated. The average earnings obtained for the two months were used as a basis for the twelve month period.

Passenger earnings per car mile of the commuters traffic is shown as 30.973 cents, based on total car mileage of 46.438, including dead-head mileage from and to the car yards at Napa. The average operating expenses per car mile for passenger trains is shown as 31.302 cents and the total expenses per car mile, including taxes and interest, as 49.337 cents. From this statement it would appear that applicant is losing 18.364 cents per car mile by the operation of its commutation trains and suffered a loss of \$8,527.87 for the twelve months' period.

But little testimony was directed to support the statement showing the method employed in allocating cost of operations. The only expenses directly assignable to the passenger service are salaries of passenger trainmen, repairs and depreciation of passenger equipment, taxes and claims for injuries and damages to passengers. All other costs, such as maintenance of ways and structures, maintenance of equipment, conducting transportation and traffic, general and miscellaneous expenses, are unallocated and applicant has divided these common expenses between passenger and freight upon the ratio that exists between the total passenger car miles and the total freight car miles involved in the handling of the traffic throughout the year.

Testimony was also introduced by applicant describing the special trains required in handling commuters and the difficulties occasioned by this traffic. Emphasis was laid on the fact that not more than three cars could be operated with one motor in trains between Napa and Vallejo, due to the heavy grade of 6.8 per cent at Vallejo and 3.44 per cent at Suscol, also that the electric transmission wires and feeding apparatus are not equipped for heavy trains, neither could the station platform take care of four cars.

Attention was called to the necessity of deadheading certain trains between the yards at Napa and the station called Limit, while other trains, because of the requisition of the commutation traffic, are moved practically empty from Vallejo to Napa.

The following tables are pertinent as showing the financial results of operations for the three-year period ending June 30, 1916:

INCOME STATEMENT.

Fiscal Years Ending June 30th.

	1914	1915	1916
Operating revenues	\$225,275 89	\$217,786 08	\$224,674 28
Operating expenses	269,687 46	155,475 11	138,190 99
Net operating revenue	*\$14,411 57	\$62,310 97	\$86,483 29
Miscellaneous income—			
Interest on deposits	\$374 82		
Cash discount	119 31		
Gross income less operating expenses	*\$13,917 44	\$62,310 97	\$86,483 29
Deductions from income—			
Taxes	\$15,859 89	\$11,053 50	\$11,040 00
Interest on funded debt	63,764 59	65,708 25	64,752 91
Interest on floating debt	4,023 16	4,218 75	3,393 22
Total deductions	\$83,647 64	\$80,980 50	\$79,186 13
Net gain			\$7,297 16
Net loss	\$127,565 08	\$18,669 53	

*Indicates deficit.

Operating Revenue and Expenses.

	1914	1915	1916
Revenue from transportation—			
Passenger revenue	\$198,179 09	\$192,524 51	\$199,567 13
Baggage revenue		342 36	361 38
Special car revenue	1,382 75	630 00	690 00
Express revenue	4,696 77	4,188 16	5,088 15
Freight revenue	19,743 99	18,213 04	17,144 97
Total revenue from transportation	\$224,022 60	\$215,898 07	\$222,851 63
Revenue from operations other than transportation—			
Station and car privileges	\$798 00	\$800 00	\$805 75
Parcel room receipts	95 07	82 60	60 80
Storage	75	13 27	47 82
Rents of buildings and other property	84 50	90 97	139 50
Miscellaneous	291 97	901 17	768 78
Totals	\$1,273 29	\$1,888 01	\$1,822 65
Total operating revenues	\$225,275 89	\$217,786 08	\$224,674 28
Operating expenses—			
Maintenance of way and structures	\$29,559 53	\$37,267 94	\$30,837 80
Maintenance of equipment	40,597 86	27,407 99	24,689 84
Traffic	4,298 90	3,415 75	1,471 77
Conducting transportation	59,492 33	32,718 83	30,776 47
Power		25,327 35	23,101 81
General and miscellaneous	135,738 84	29,337 25	27,313 30
Total operating expenses	\$269,687 46	\$155,475 11	\$138,190 99

Miscellaneous Data.

	1914	1915	1916
Ratio of operating expenses to operating revenue -----	119.71%	71.38%	61.50%
Passenger car mileage -----	379,293	357,382	347,811
Revenue passengers carried -----	652,587	615,581	622,221
Average fare -----	30.368¢	31.275¢	32.073¢
Operating revenue per car mile -----	48.196¢	45.557¢	49.474¢
Operating expenses per car mile -----	57.698¢	32.537¢	30.430¢

These figures, comparing 1914 with 1916, show a decrease in operating revenue of \$601.61, the passenger revenue gaining \$1,388.04, while there was a loss of \$2,599.02 in freight, which, however, represents only about 8 per cent of the total.

Owing to the fact that on June 19, 1913, the San Francisco, Napa and Calistoga Railway had a disastrous passenger wreck, resulting in the death of ten passengers and three employees and in the injury of 25 passengers and three employees, entailing a very large financial loss, comparison can not be made of the operating expenses during the three-year period. It is to be noted, however, that there was a net loss of \$127,565.08 in 1914, \$18,669.53 in 1915, and a net gain of \$7,297.16 in 1916. The number of revenue passengers carried decreased from 652,587 in 1914 to 622,221 in 1916, a loss of 30,366.

As to the favorable showing in net revenue for 1916, a witness for applicant testified, in substance, to the effect that this result was made possible only by the practice of strict economy and the postponement of needed repairs to equipment and to the property as a whole. It is also in evidence that the different communities through which the railway passes have plans for improvement of streets and the adoption of girder rails, which will entail an expense to applicant estimated at from \$51,000.00 to \$89,000.00.

Much of the testimony was addressed to financial conditions, but since applicant's history is recited in a number of proceedings before this commission, it is unnecessary to burden this opinion with the details.

Application No. 899, Bonds—4 Opinions and Orders of the Railroad Commission of California, 50.

Case 322, Valuation—8 Opinions and Orders of the Railroad Commission of California, 623.

Application 1743, Freight Rates—9 Opinions and Orders of the Railroad Commission of California, 374.

Suffice it to say that the property has been in much financial difficulty since its inception; it was originally known as the Vallejo, Benicia

and Napa Valley Railroad Company, then as the San Francisco, Vallejo and Napa Valley Railroad Company and is now the San Francisco, Napa and Calistoga Railway. The property has never paid a dividend to its stockholders.

It appears that Mr. James Irvine, president of the company, receives a salary of \$6,000.00 per annum, and the testimony indicates that while he devotes little of his time to the operation of the property, nevertheless this amount is included in operating expenses. Applicant's Exhibit No. 1 shows the combined salaries of all passenger trainmen for the year ending June 30, 1916, as \$11,819.13; certainly Mr. Irvine's services, whatever they may be, are not equal to 50 per cent of the total salaries of the passenger train crews.

For information, a statement follows showing the compensation of officers receiving \$3,000.00 and over per annum on short line railways in California and, contrasting this road with the other roads which, with the exception of one, have a greater operating mileage. The figures are taken from annual reports for year ending June 30, 1916:

Name of road	Mileage	Number of officers receiving \$3,000 and over per annum	Total annual compensation	Average compensation
S. F. Napa and Calistoga Railway.....	44.05	2	\$9,600 00	\$4,800 00
Nevada Co. Narrow Gauge Railroad.....	21.90	1	3,600 00	3,600 00
Ocean Shore Railroad.....	53.70	2	7,800 00	3,900 00
San Joaquin and Eastern Railroad.....	55.92	1	3,000 00	3,000 00
Yosemite Valley Railway.....	79.17	1	3,000 00	3,000 00
Pacific Coast Railway.....	103.05	1	3,300 00	3,300 00

I am not impressed with the practice of giving a large stockholder a monthly allowance under the guise of salary and it is suggested that the operating costs will be lessened and greater earnings shown if the pay roll in this respect were made to conform more to that of other roads under similar circumstances.

Protestants made numerous criticisms of the figures submitted by applicant and filed exhibits comparing applicant's operating expenses and revenues, also its proposed commutation fare, with four electric lines in the state of California. These matters need not be set out in detail, for of the lines referred to one is now in the hands of a receiver and the other three are now operating with large annual deficits. Some of the criticisms are justifiable, but the corrections suggested by protestants would not change the general conclusion as to the reasonableness of the proposed commutation fare.

The protestants also bring to my attention the fact that applicant's passenger tariff carries some 4,500 individual rates and that it is not proper to select this one commutation rate in order to secure additional revenue. The point is not well taken, for a carrier is entitled to a

higher rate for a particular service if the existing rate is proven unreasonably low, and this would be true even if the carrier were not in need of additional revenue.

In considering the reasonableness of the present and the proposed fare, a comparison with rates in effect on other lines will be helpful. It is to be understood that in a showing of this kind the comparison should be fortified by something more substantial than a mere contrast of rates. To be of value, it should be accompanied by evidence as to a similarity of conditions in the different territories. Many instances are found where, for approximately the same length of haul, higher fares are charged over other lines, as well as instances where lower fares are charged.

It is noteworthy that in the thickly populated districts adjacent to Los Angeles, served by the Pacific Electric, the fares for approximately similar distances, under which there is a heavy current of traffic, are greater than charged by applicant, as is evidenced by the following statement of monthly commutation fares:

Via	Between	And	Miles	Rate
S. F., Napa and Calistoga Ry.---	Napa-----	Vallejo -----	14.6	\$5 00
S. F., Napa and Calistoga Ry.---	Napa-----	Vallejo -----	11.6	*7 80
Pacific Electric Railway-----	Los Angeles	Soldiers Home --	14.35	6 00
Pacific Electric Railway-----	Los Angeles	Los Nietos -----	14.5	6 50
Pacific Electric Railway-----	Los Angeles	Pasadena Hts. --	14.49	6 05
Pacific Electric Railway-----	Los Angeles	Villa -----	14.92	6 20
Pacific Electric Railway-----	Los Angeles	Burbank -----	12.97	5 85

*Proposed rate.

With the exception of the Los Angeles-Soldiers Home fare, those used in comparison are 52-ride individual tickets, while those of applicant cover the entire calendar month and, therefore, in a 31-day month give 62 rides for the monthly rate.

While we do not consider above showing to be conclusive of the reasonableness of applicant's proposed rate, it is significant in that it shows a lower rate now in effect over applicant's line than exists in a district where the commutation traffic is of much greater volume.

As heretofore stated, there is no record of expenses directly chargeable to the individual trains and estimates were based on car mileage, but such evidence as was introduced by applicant of the earnings and expenses directly chargeable to passenger trains supports the contention that the existing commutation fare is unremunerative; it must also be remembered that the nature of this traffic requires special trains at hours suitable to the commuters.

I am not unmindful of the fact that commutation traffic can not be treated as a separate unit apart from the other passenger service.

If it were, the rate of \$7.80 proposed by applicant might, under the existing conditions, upon a proper showing of revenues and expenses, be considered reasonable.

In fixing a rate for this commutation service consideration must be given to the fact that a radical increase would tend to disrupt the community life of those dependent upon the service, injure their investments and business relations and result in many commuters moving to Vallejo, where they are employed. This would mean a loss not only of the commutation earnings, but also of the revenue flowing to applicant because of the traffic created by the families and friends of those who now reside in Napa.

On June 25, 1914, applicant filed a petition with the commission for permission to increase this same commutation fare from \$5.00 to \$6.00 per month. Efforts were made at that hearing by the testimony of witnesses and the introduction of exhibits to allocate operating expenses directly to the commutation trains on what the commission considered an incorrect basis. Petition was denied without prejudice, under date of September 23, 1914, Vol. 5, Opinions and Orders of the Railroad Commission of California, page 440, and the action was justified by the facts, which were entirely different from those presented in the instant case.

A considerable part of the testimony taken in the present proceeding was directed to the circumstances and conditions of the traffic, the average cost of operations per passenger car mile for the entire road, and the general financial condition, which, taken as a whole, emphasizes the necessity for an increased net revenue at this time. The testimony also shows that the maintenance of the road and equipment was deferred in 1916, in order to prevent a deficit and that the number of passengers carried has decreased.

From a consideration of all these matters, I am lead to the conclusion that applicant has failed to justify the increase in the commutation rate between Napa and Vallejo from \$5.00 to \$7.80.

I find as a fact that the present commutation rate of \$5.00 between Napa and Vallejo is abnormally low under the existing operating conditions, and that applicant should be authorized to increase the same from \$5.00 to \$6.00.

Applicant should also revise its commutation rates north of Napa, in order that the published through rates shall not be in excess of the combination of locals.

I therefore recommend the following form of order:

ORDER.

San Francisco, Napa and Calistoga Railway having filed its application for authority to increase monthly commutation fare between Napa and Vallejo, and a public hearing having been held on said application

and the matter having been submitted, and being now ready for decision,

It is hereby ordered that the San Francisco, Napa and Calistoga Railway be and is hereby authorized to publish and file, in a tariff to become effective within twenty (20) days from date of this order, a commutation fare of \$6.00 between Napa and Vallejo, good for the calendar month.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of April, 1917.

Decision No. 4277, grade crossing; not printed. See end of volume.

DECISION No. 4278.

IN THE MATTER OF THE DELIVERY OF WATER BY WATER UTILITIES
DURING THE EMERGENCY CREATED BY WAR.

Case No. 1075. (On the commission's own motion.)

Decided April 28, 1917.

Water utilities of the state of California are authorized to deliver such surplus water as they may desire, at free or reduced rates, for additional irrigation during the emergency created by the war, such authorization providing that the utilities may, if they deem necessary, require such consumers to sign a stipulation to the effect that they shall not hereafter claim that the delivery of water under the above authorization amounts in any way to a dedication thereof or in any way prejudices the legal rights of the water company delivering the same.

Frank Adams, for College of Agriculture, University of California.

A. E. Chandler and *W. A. Johnstone*, for State Water Commission.

Harrison & Harrison, for Coneland Water Company.

Chickering & Gregory, for Western States Gas and Electric Company.

W. F. Dubois, for Excelsior Mining and Water Company.

C. P. Cutten, for Pacific Gas and Electric Company.

Henry Ingram and *Charles T. Tullock*, for Sutter-Butte Canal Company.

W. G. DeCelle, for Yolo Water and Power Company.

George S. Nickerson, for North Fork Ditch Company.

John M. Clayton, for Lake Hemet Water Company.

Fred J. Schleef, for Stockton and Mokelumne Canal Company.

H. A. Jastro, for Kern County Land Company.

H. F. Jackson, for Coast Valleys Gas and Electric Company.

Joseph R. Ryland, for San Jose Water Company.

J. A. Irving and *W. A. Caldwell*, for El Dorado Water Users Association.

Mrs. M. Andrews and Mrs. Linderman, for Housewives' Committee of San Francisco.

BY THE COMMISSION.

OPINION.

This proceeding was instituted by the Railroad Commission on its own motion to meet an emergency created by the war.

The purpose of the proceeding is set forth in the order instituting the investigation, which order reads as follows:

"Whereas the emergency created by the war in which the United States is now engaged requires increased production of food supplies; and

"Whereas a number of water utilities have informed the Railroad Commission that they will be willing to deliver surplus water for the irrigation of additional lands for the production of food, provided that their rights be not prejudiced; and

"Whereas this matter has also been drawn to the attention of the Railroad Commission and action thereon requested by Thomas F. Hunt, Dean of the College of Agriculture of the University of California, after conference with representatives of such water utilities; and

"Whereas the Railroad Commission is of the opinion that the situation requires an investigation by the commission on its own motion to the end that an appropriate order or orders may be made by the commission to meet the war emergency,

"*It is ordered* that an investigation into the matter of the delivery of water by water utilities during the emergency created by the war be instituted by the Railroad Commission, on its own motion, and that a public hearing be held on Friday, April 27, 1917, at 10 o'clock, in the office of the Railroad Commission, 833 Market street, San Francisco, California, before the Railroad Commission en banc, at which time and place all interested parties may appear and be heard."

A public hearing was held in San Francisco on April 27, 1917, before the commission en banc.

Representatives of water utilities at this hearing stated that their companies are willing to supply their surplus water for the irrigation of additional lands, at reduced rates or free, during the emergency created by the war, provided that their rights are safeguarded.

It appeared further that quite a number of California water utilities have surplus water which can be made available for the irrigation of thousands of acres of additional land.

It appeared that there is need for prompt cooperation between land-owners, irrigators and water utilities and that there will be a large demand for labor to take care of and harvest the crops.

It also appeared that a number of water utilities serving water primarily within cities and towns have, during the last few days, filed with the Railroad Commission substantial reductions in their rates for water used in large quantities, so as to encourage kitchen gardens and the cultivation of vacant lots.

The water utilities suggested two legal difficulties as to which they apparently need an order of the Railroad Commission.

The water utilities fear that if they deliver any water for the irrigation of additional lands, such delivery will amount to a dedication of the water to the land so that the water can not later be withdrawn from the land. While most water utilities having surplus water naturally desire to sell such water for the irrigation of additional lands, there are a number of instances in California in which disputes exist with reference to whether water has been dedicated for use for irrigation and with reference to the area within which it may be thus used. In such instances, the situation may be met by permitting the water utility to require from each irrigator who receives surplus water which is to be used for the purpose of assisting in the present emergency, that he sign a stipulation specifying that he desires the water for the purpose of assisting in the emergency created by the war and that he, his successors and assigns, will never urge that the delivery of the water by the water utility under these circumstances amounts to or is evidence of a dedication or will prejudice the legal rights of the water utility.

The water utilities also fear that the doctrine of discrimination may apply against them so that if they deliver surplus water, free or at reduced rates, for additional irrigation, they will be required to deliver water to all customers free or at reduced rates.

In the first place, it may well be doubted whether the doctrine of discrimination can apply to the delivery of water under the circumstances herein set forth, for the reason that the delivery of water under these circumstances is, in effect, the delivery of water to the government for the purpose of helping to meet a national emergency and hence is not properly comparable to the delivery of water to existing consumers for use on lands already under irrigation. In any event, section 17 of the Public Utilities Act specifically authorizes the Railroad Commission to make its order authorizing deviations from the established rates of water utilities and other classes of public utilities.

The water utilities may reasonably require users of water delivered under the conditions herein set forth to sign applications stating, in each instance, the name of the irrigator, the land which he desires to irrigate, the amount of water which he desires to use and the crops which he intends to plant. Within thirty days after service to any such

irrigator is initiated, the water utility shall report to the Railroad Commission the name of the irrigator, the land to be irrigated, the amount of water desired, the crops to be raised and the charge, if any, to be made by the water utility.

Water delivered under the terms of the order herein shall continue to be delivered by the water utility to the extent of its ability as long as the crop for the use of which the water is requested requires irrigation unless discontinuance is authorized by the commission, but in no event shall the obligation to deliver such water continue for more than six months after the termination of the war.

If any situation not covered by the order herein arises, the matter may be drawn to the attention of the Railroad Commission and will receive prompt consideration.

ORDER.

The Railroad Commission having, on its own motion, instituted this investigation into the delivery of water by water utilities during the emergency created by the war, and a public hearing having been held,

It is hereby ordered as follows:

1. All water utilities are hereby authorized to deliver the surplus water, free or at reduced rates, for additional irrigation during the emergency created by the war.

2. Such water utilities, if deemed by them necessary to protect their legal rights, may require that landholders and irrigators desiring to receive water for the purposes and under the conditions specified in the opinion which precedes this order, shall first sign a stipulation agreeing that they, their successors and assigns, will never claim that such delivery of water has amounted to or is evidence of a dedication or that it has in any way prejudiced the legal rights of the water utility.

3. Within thirty days after the delivery of water has been initiated by any water utility to any irrigator under the authority hereby granted, the water utility shall report to the Railroad Commission the name of the irrigator, the amount of water applied for, the land on which the water is to be used, the crop or crops to be planted and the terms and conditions, including the rate, if any, under which water is to be delivered by the water utility.

Dated at San Francisco, California, this twenty-eighth day of April, 1917.

DECISION No. 4279.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF DEBENTURES.

Application No. 2838.

Decided April 28, 1917.

In accordance with instructions of the commission that applicant submit a plan for financing future additions and betterments through the issue of securities other than bonds, it applies for and is granted permission to execute a trust agreement securing an issue of 6 per cent ten-year debentures and to issue thereunder \$1,000,000.00 face value at the present time, such debentures to net applicant not less than 95 per cent of their face value plus accrued interest, proceeds thereof to be used partly to reimburse applicant for expenditures made from treasury for additions and betterments since January 1, 1917, and for future betterments to be made in accordance with construction program submitted.

W. A. Sutherland and Murray Bourne, for Applicant.

THELEN, *Commissioner.*

OPINION.

This is an application of San Joaquin Light and Power Corporation for authority to execute a trust agreement providing for a total of \$4,500,000.00 of debentures and to issue and sell at this time \$1,000,000.00 face value of these debentures.

The affairs of this applicant have been heretofore reviewed by this commission and it is therefore unnecessary at this time to enter into a detailed recital of its history and operations.

In Decision No. 3241, rendered April 6, 1916, upon Application No. 1666 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 542), this commission made its findings as to value, finances and rates of the electric properties of this applicant, and reference is made thereto. In a decision of April 25, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 843), this commission issued its findings as to the value and rates of the gas properties of this applicant at Bakersfield and reference is hereby made thereto.

In Decision No. 1525, dated May 18, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 1036), this commission in passing upon a request of this applicant for authority to issue bonds, said at page 1043:

“* * * San Joaquin Light and Power Corporation will soon present to this commission a plan for refinancing the company in such a way as to establish a more normal relationship between the value of the property and the face value of its stock and bonds, and also for securing funds for necessary additional capital expenditures from sources other than bonds.”

In Decision No. 2335, dated May 3, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission of California, page 733), the com-

mission authorized the corporation to increase the interest rate upon its Series "B" bonds, and to issue certain additional Series "C" bonds upon the condition among others that San Joaquin Light and Power Corporation should—

"within ninety days submit to this commission a financial plan by means of which it proposes to secure funds to defray the cost of necessary extensions, additions and betterments from moneys other than through the sale of bonds."

Although admitting its willingness to submit a plan for junior financing as above set forth, San Joaquin Light and Power Corporation has from time to time requested a delay, first upon the ground that the state of the money market was not favorable to the flotation of additional securities, and later upon the ground that it desired to determine the effect of the reduction in electric rates ordered by the commission.

Ample time has now been afforded to determine the effect of the revised electric rates which the applicant has established by order of this commission. Although these rates have been in effect for a period of one year, the company is able to report the greatest earnings in its history. The rate reductions have served to stimulate business to such an extent that the company is enjoying larger profits under the new than under the old and higher schedule. The company reports earnings from its entire business for the calendar years 1915 and 1916 as follows:

	1915	1916
Operating revenue	\$1,733,255 36	\$1,727,408 58
Operating expenses	730,834 20	687,318 33
Net operating revenue	\$1,002,421 16	\$1,040,090 25
Nonoperating revenue	8,737 43	21,110 23
Gross corporate income	\$1,011,158 59	\$1,061,500 48
Nonoperating revenue deductions	\$556 91	\$535 52
Interest accrued on funded debt	402,628 63	461,888 38
Other interest deductions	81,006 95	12,263 15
Rent deductions	80 50	
Miscellaneous deductions	33,772 92	16,264 89
Total deductions	\$518,045 94	\$490,951 94
Corporate surplus	\$493,112 65	\$570,548 54
Balance corporate surplus	\$386,253 85	\$727,578 99
Profit for year	\$493,112 65	\$570,518 54
Miscellaneous additions	8,978 12	1,844 36
Total additions for year	\$502,090 77	\$572,392 90
Dividends		
Miscellaneous deductions	\$160,765 63	\$162,735 75
Total deductions	\$160,765 63	\$162,735 75
Balance	\$727,578 99	\$1,137,236 14

The company submitted the following balance sheet as of December 31, 1916:

<i>Assets.</i>	
Fixed capital	\$25,559,963 05
Cash	350,017 65
Notes receivable	313,961 88
Accounts with system corporations	346,820 72
Due from consumers and agents	273,185 42
Miscellaneous accounts receivable	153,744 55
Securities of other corporations	309,907 82
Miscellaneous investments	32,024 23
Materials and supplies	355,843 71
Sinking funds	161,242 32
Treasury securities	652,835 75
Prepaid taxes	566 09
Prepaid insurance	2,038 17
Other prepayments	1,410 70
Unamortized discount on stock	1,250,000 00
Unamortized discount on bonds	366,251 25
Other suspense	251,737 42
Construction work in progress	631,837 29
Total	\$31,013,388 02

<i>Liabilities.</i>	
Capital stock	\$17,500,000 00
Funded debt	10,010,000 00
Notes payable	122,408 44
Audited vouchers and wages unpaid	274,197 20
Consumers' deposits	26,210 65
Miscellaneous accounts payable	37,430 94
Interest accrued	175,764 14
Taxes accrued	7,478 63
Dividends declared	16,406 25
Service billed in advance	12,085 61
Reserve for accrued depreciation	633,983 92
Casualty and insurance reserves	21,000 70
Reserves invested in sinking funds	638,242 32
Other reserves from income or surplus	79,683 10
Capital surplus	321,259 98
Corporate surplus unappropriated	1,137,236 14
Total	\$31,013,388 02

In compliance with the commission's suggestion that the company prepare a plan of supplemental financing, this application is presented. It is the purpose to execute a trust agreement providing for a total issue of \$4,500,000.00 of 6 per cent ten-year debentures. It is the intention to issue \$1,000,000.00 of these debentures at this time and a contract has been made for their sale at 95 per cent of their face value. It is the purpose to expend the proceeds from the sale of these debentures for the necessary additions and betterments to applicant's properties for the period beginning January 1, 1917.

The applicant has presented a detailed construction program providing for a total outlay from the period January 1, 1917, to March 31, 1918, of \$2,362,941.44. In this proceeding the applicant asks reimbursement for its capital expenditures made in January, 1917,

Amounting to	\$71,304 98
And in February, 1917, of.....	106,438 16
Total.....	\$177,743 14

The details of applicant's construction program are set forth in Exhibits No. 4, No. 5, and No. 6 submitted in connection with the application herein, to which reference is hereby made. A summary of larger items is here given:

Completion of Kern Canyon plant.....	\$114,334 39
Completion of Power House No. 2.....	171,740 25
Construction of 60-K.V. line from Copper Mine substation to Sayres Corner	66,383 64
Construction of galvanized iron building and installing one 2,000-K.V. turbine alternator set at Betteravia.....	50,463 91
Improvements Selma district system.....	5,911 36
Constructing 60-K.V. substation at Corcoran.....	8,797 64
New substation at Alpaugh.....	17,635 00
Completing construction of 60-K.V. line from Henrietta substation to Corcoran, etc.....	185,928 62
Completing new substation west of Fresno.....	21,828 55
Construction of lines 16 miles down Merced River.....	25,081 90
Enlarging building and installing boilers at Betteravia.....	33,914 96
Extension to Bowles including 2½ miles of side lines.....	9,414 29
Improvements at Corcoran substation.....	17,240 96
Battery of boilers and new circulating water cooling system at Bakersfield steam plant.....	75,000 00
Transmission lines—Raymond to Merced Falls.....	72,600 00
Rebuilding line from Merced to Merced Falls.....	12,000 00
60-K.V. line—Merced to Los Banos.....	55,000 00
60-K.V. line—Corcoran to Alpaugh.....	53,255 00
60-K.V. line—Alpaugh to Famosa.....	77,000 00
New substations at Merced Falls, Merced and Alpaugh.....	60,521 95

The balance of the expenditures are for the most part contemplated extensions in distribution lines. This program of construction indicates that San Joaquin Light and Power Corporation has in prospect a very large amount of new business, which will further augment its revenues.

In connection with this additional construction, the applicant will depart from its former system of financing. Under the mortgage securing its bonds, it may issue these securities for 85 per cent of the cost of additions and betterments. The applicant stated at the hearing that hereafter it proposes to issue its mortgage bonds for only 75 per cent of the cost of additions and betterments and to finance the remaining 25 per cent through the medium of debentures or otherwise. This would release earnings for the resumption of dividends on the preferred stock.

The \$1,000,000.00 of debentures which applicant proposes to issue at this time will be called "Series A." They will be dated May 1, 1917, and will mature May 1, 1927. The trust agreement providing for the issue of these debentures permits of additional series of which the dates of issue and maturity are to be later determined. The first issue of Series A debentures will be redeemable up to May 1, 1922, at 2 per cent premium, thereafter at 1 per cent premium. In case the corporation shall hereafter obtain from the Railroad Commission the necessary authority, any of the debentures issued under the trust agreement will be converted into preferred stock of San Joaquin Light and Power Corporation upon such terms as the commission may prescribe. The trust agreement restricts the amount of floating indebtedness of the applicant, provides for the protection of the status of the debentures, contains provision in event of default and safeguards the issue against the interposition of any additional mortgage.

Under the plan of financing as here proposed, the applicant will be enabled to raise necessary funds for its development through bonds and debentures. As the company is now able to sell its bonds at approximately par and has obtained a market for these debentures at 95 per cent of their face value, it will obtain its funds at reasonably low cost, and through the elimination of previously heavy discounts on its securities, will be able to avoid the complications of a heavy and burdensome floating indebtedness. At the same time, it is well for this applicant to hold in mind that a debenture lacks the element of permanency and will therefore in the end prove less satisfactory than some form of high-class stock issue. As far as the present application is concerned, I see no objection to the issue of these debentures, but I believe the applicant should have in mind some plan which may eventually permit of their conversion into stock. It is hardly sufficient to urge that the trust agreement is of the so-called "circular type," which permits of the refunding of these debentures by subsequent issues.

It is apparent, however, that the applicant has made steady progress and has proceeded in good faith to map out an auxiliary plan of financing its necessities. As part of this plan it is now the intention of the applicant to resume dividends at the rate of 6 per cent upon its preferred stock. Although the earnings permit of such dividends, I would caution the applicant against a disbursement of such an amount as would impair its financial stability. I leave this, of course, to the discretion of the company's directors, but would urge that any action now taken should have in mind, not a temporary advantage, but the good of this corporation in the many years to come.

This commission can only view with satisfaction and pleasure the evidences of financial strength on the part of a public utility under its jurisdiction, particularly when such financial strength comes from a rate

revision by which the consumers are permitted to share with the stockholders the benefits of public regulation.

I recommend that the application be granted and submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to this commission for authority to execute a trust agreement to secure an issue of debentures and to issue \$1,000,000.00 face value of such debentures, and a hearing having been held, and it appearing that the money and property to be procured and paid for by such issue are reasonably required for the purposes specified in the order herein; and it appearing further that the purposes for which the applicant proposes to issue said debentures are not in whole or in part reasonably chargeable to operating expenses or income,

It is hereby ordered that San Joaquin Light and Power Corporation be granted authority and it is hereby granted authority to execute a trust agreement to Security Trust and Savings Bank of Los Angeles, substantially in the form of a copy of said trust agreement filed in connection with the application herein and marked "Exhibit 1," to which reference is hereby made; and

It is hereby further ordered that San Joaquin Light and Power Corporation be granted authority and it is hereby granted authority to issue \$1,000,000.00 face value of its 6 per cent ten-year debentures under said trust agreement to Security Trust and Savings Bank of Los Angeles.

The authority herein granted to issue said debentures is granted upon the following conditions and not otherwise:

1. Debentures herein authorized to be issued shall be sold so as to net the applicant not less than 95 per cent of the face value thereof plus accrued interest thereon.

2. The proceeds from the sale of said debentures shall be used either to reimburse the applicant for expenditures already made from its income for additions and betterments to its plant and system since January 1, 1917, or to pay in whole or in part for the cost of said additions and betterments to applicant's plant and system either made or to be made, all in accordance with the details submitted by the applicant in Exhibits No. 4, No. 5 and No. 6, filed in connection with the application herein, to which reference is hereby made; said exhibits covering applicant's program of construction from January 1, 1917, to March 31, 1918.

3. San Joaquin Light and Power Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the debentures herein authorized to be

issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said debentures during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authorization herein given to applicant to execute the trust agreement to Security Trust and Savings Bank is given on the condition that no modification, amendment or addition shall be made to said trust agreement unless the same shall have been approved by this commission.

5. The authority herein granted to San Joaquin Light and Power Corporation to issue debentures is conditioned upon the payment by San Joaquin Light and Power Corporation of the fee prescribed by the Public Utilities Act.

6. The authority herein granted to San Joaquin Light and Power Corporation to issue debentures shall apply only to such debentures as shall have been issued on or before June 30, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-eighth day of April, 1917.

DECISION No. 4280.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA TELEPHONE COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK AND BONDS, THE EXECUTION OF A DEED OF TRUST, THE PURCHASE OF PROPERTY AND THE OPERATION UNDER VARIOUS FRANCHISES; OF HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE SALE OF ITS PROPERTY TO SOUTHERN CALIFORNIA TELEPHONE COMPANY; OF SUNSET TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE SALE OF A PORTION OF ITS PROPERTY TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY; AND OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE SALE OF A PORTION OF ITS PROPERTY TO SOUTHERN CALIFORNIA TELEPHONE COMPANY AND THE ACQUISITION OF CAPITAL STOCK OF SOUTHERN CALIFORNIA TELEPHONE COMPANY.

Application No. 2227.

Decided April 30, 1917.

Supplemental order approving stipulations filed by applicants in accordance with provisions of original order, providing (1) Southern Company will not apply for an increase in rate within a period of five years; (2) will render either

automatic or manual service, as desired by subscriber; (3) will render toll service to all consumers over toll lines of either Pacific Company or United States Company; (4) will not claim a value for any franchise acquired in excess of the actual original cost thereof; (5) will not remove its principal offices from the city of Los Angeles.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that, in compliance with conditions 1, 2 and 3 of the order of November 4, 1916, in the above-entitled proceeding, stipulations, in form satisfactory to the Railroad Commission, have been filed herein by Southern California Telephone Company, The Pacific Telephone and Telegraph Company and United States Long Distance Telephone and Telegraph Company, as follows:

1. A stipulation by Southern California Telephone Company, stipulating and agreeing for itself, its successors and assigns, as follows:

(a) That during the period of five years subsequent to November 4, 1916, Southern California Telephone Company will not make application to the Railroad Commission or any other public authority for any increase in the telephone rates now in effect in the territory in which the company is to operate, except in such minor matters as may be necessary to remove discriminations;

(b) That, except in exceptional cases to be passed upon until further notice in each instance by the Railroad Commission, Southern California Telephone Company will install for each subscriber, present and future, the type of telephone station, whether automatic or manual, desired by the subscriber, and in its solicitation for business and in all other respects will act with absolute impartiality as between the automatic and the manual telephone stations;

(c) That when a subscriber desires long distance service, Southern California Telephone Company will first inquire whether the subscriber desires to use the toll lines of The Pacific Telephone and Telegraph Company or of United States Long Distance Telephone and Telegraph Company, and will in each instance accord to the subscriber the long distance service which he desires;

(d) That Southern California Telephone Company will give to all its subscribers, whether automatic, semiautomatic or manual, access without discrimination, to the long distance telephone lines of The Pacific Telephone and Telegraph Company or of United States Long Distance Telephone and Telegraph Company, or of both of said companies;

(e) That Southern California Telephone Company will not change its principal office from the city of Los Angeles;

(f) That Southern California Telephone Company will never claim in any proceeding before the Railroad Commission, any court, or other public authority, any value for the franchises which are to be conveyed

to it by The Pacific Telephone and Telegraph Company and Home Telephone and Telegraph Company in excess of the moneys which were originally paid by the respective grantees of said franchises to the public authorities granting the same, which moneys are stated in said stipulation to have been as follows:

Franchise granted to M. A. King by the mayor and council of the city of Los Angeles by Ordinance No. 6959, new series, approved February 6, 1902-----	\$3,080 00
Franchise granted to Home Telephone and Telegraph Company by the board of supervisors of the county of Los Angeles by Ordinance No. 129, new series, adopted October 17, 1905-----	101 00
Franchise granted to Arthur Wright by the board of supervisors of the county of Los Angeles by Ordinance No. 70, new series, adopted April 7, 1903-----	301 00
Franchise granted to Home Telephone and Telegraph Company by the board of trustees of the city of South Pasadena by Ordinance No. 382, adopted May 26, 1913-----	625 00
Franchise granted to The Pacific Telephone and Telegraph Company by the board of trustees of the city of Eagle Rock by Ordinance No. 90, adopted November 3, 1913-----	194 20
Franchise granted to The Pacific Telephone and Telegraph Company by the board of trustees of the city of Vernon by Ordinance No. 108, adopted April 22, 1913-----	153 50
Franchise granted to The Pacific Telephone and Telegraph Company by the board of trustees of the city of Watts by Ordinance No. 141, adopted October 1, 1912-----	180 20

2. A stipulation by The Pacific Telephone and Telegraph Company, stipulating and agreeing for itself, its successors and assigns, that it will never claim in any proceeding before the Railroad Commission, any court or other public authority, any value for such franchises as may be conveyed to it by Sunset Telephone and Telegraph Company in this proceeding in excess of such moneys as may have been paid by Sunset Telephone and Telegraph Company for said franchises, which stipulation further states that no franchises are to be conveyed to The Pacific Telephone and Telegraph Company by Sunset Telephone and Telegraph Company in connection with the subject matter of the above-entitled proceeding.

3. A stipulation by The Pacific Telephone and Telegraph Company and United States Long Distance Telephone and Telegraph Company agreeing for themselves, their successors and assigns, with Southern California Telephone Company that they will accept, transmit and deliver, without discrimination as between manual, semiautomatic or automatic subscribers, or otherwise, all long distance telephone messages between the exchange of Southern California Telephone Company and all other points in the state of California to which their respective long distance or toll lines now extend or may hereafter extend.

Dated at San Francisco, California, this thirtieth day of April, 1917.

DECISION No. 4281.

**IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN COUNTY FOR
PERMISSION TO CROSS THE RIGHT OF WAY OF THE SOUTHERN
PACIFIC COMPANY WITH A HIGHWAY IN THE TOWN OF PETERS.**

Application No. 2556.*Decided April 30, 1917.*

Applicant is authorized to construct a crossing at grade across the tracks of Southern Pacific Company in the town of Peters, provided an existing crossing 480 feet east of the proposed crossing is closed to traffic and a connecting road approximately 500 feet long be constructed to connect the existing crossing which is to be closed and the one herein applied for.

In consideration of the fact that a crossing through the railroad's station grounds will be closed to traffic, the commission departs from its usual procedure of having the applicant stand all expenses of constructing the crossing, the order providing that the railroad company place its tracks in condition for the new crossing.

George M. French, supervisor, for Applicant.

George D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

This application was originally filed September 22, 1916. It was accompanied by an easement from the Southern Pacific Company and was granted by the commission in an ex parte order dated October 5, 1916 (Decision No. 3764). One of the conditions in the easement which the county accepted was that an existing crossing about 480 feet east of the crossing applied for should be closed to public travel and this was made a condition in the commission's order. After the terms of the order became known, a petition, signed by farmers and taxpayers in the vicinity of the crossing it was proposed to close, was sent to the supervisors of San Joaquin County, protesting against the abandoning of that crossing and the supervisors asked the commission's permission to modify its order and permit both crossings to remain open. After some attempt to adjust the matter by correspondence a formal hearing was decided upon. This hearing was held on April 25, 1917.

The proposed crossing is on the extension of a north and south county road known as the Coggswell road through the unincorporated town of Peters. The existing crossing is on a road parallel to the proposed road and is about 480 feet east of it. The Oakdale branch of the Southern Pacific Company runs through the town of Peters in a direction almost east and west to a point immediately west of the proposed new road where it swings to the south. The Milton branch runs about east and west and joins the Oakdale branch where that line commences to turn south. At the proposed crossing the two branches are about 25 feet apart while at the one now in use they are nearly 350 feet apart—a distance great enough to make them practically independent crossings.

In addition to these two lines a loading track crosses both roads. It leaves the Oakdale branch some 800 feet west of the proposed highway and is on the southerly side of the Oakdale branch throughout its length. It is about 150 feet south of the proposed crossing and 100 feet south of the crossing now used.

The town of Peters is the shipping center for a large section devoted to grain farming, but a portion of the land adjacent to the town has been divided into 10- and 20-acre tracts during the last few years which are now planted with fruits and berries or used for poultry raising, and this produce also will be sent to market in Peters.

As most of the colonists live on or near the Coggswell road the projected crossing would be the most convenient for them to use in going to and from their shipping point as well as reaching the two general stores located at Peters. The grain farmers, however, consider the existing road as the more convenient of the two as it affords them better access to the loading track and, by approaching it from that highway, there is ample room for them to turn their six and eight horse teams and the tractors with which they haul their grain to load in cars.

If the Coggswell crossing were opened and the existing crossing closed, as the situation now stands, it is clear they would be put to considerable inconvenience. It is possible, however, to open the Coggswell road and close the crossing of the Oakdale and Milton branches and still leave the loading track as convenient of access to the grain farmers as it is at present.

The road leading to the existing crossing from the south parallels the railroad's right of way for some distance before it turns north and crosses it. To continue this highway to the new crossing it would be necessary only to secure a right of way approximately 500 feet long and to grade a road for that distance. If this were done, and the crossing of the loading track on the present highway remains open, the portion of the road which crosses the two branch railway lines can be closed. The necessary right of way to make this change can be secured for about \$70.00.

As two crossings so close together in a community as small as Peters are scarcely justified, unless traffic is much greater than it appears to be here, this is a very cheap and satisfactory way to accommodate the public and at the same time eliminate one grade crossing for, as I have said, on the present road the Milton and Oakdale branches are so far apart that they constitute independent crossings.

The expense of making these adjustments in the roads will be comparatively small and both parties will benefit by them.

As the railway company will have one less grade crossing to maintain and protect and its station grounds will be relieved of a highway

through their center it seems to me equitable to depart from the usual policy of requiring an applicant for a grade crossing to stand the entire expense of constructing it. It was estimated that it would cost about \$75.00 to place the tracks in condition for the new crossing and as this is about the cost of the right of way needed for the proposed road to connect the two crossings, I believe the railroad company should be required to do the work on its tracks and the county to secure the land and open up the connecting road. The county, of course, should pay the other usual expenses and the railroad company should make any improvements necessary in the station grounds to permit the large teams easily to reach the loading track both from the east and the west.

Although the order which I recommend in the following paragraph is in substance the same as the ex parte order previously made, some of the conditions will be changed, and I believe it better to revoke the permission contained in that order so the record will be clear and complete in this one opinion and order.

I recommend the following form of order :

ORDER.

San Joaquin County, California, having applied to the commission for permission to construct a public highway at grade over the track of Southern Pacific Company, in the unincorporated town of Peters, and the commission having granted this permission ex parte and having later held a hearing upon the application, and it appearing that the former order should be set aside and a new order made granting the application under certain conditions.

It is hereby ordered that the permission heretofore granted San Joaquin County to construct this crossing at grade (Decision No. 3764) be and the same hereby is revoked.

It is hereby further ordered that permission be and the same hereby is granted San Joaquin County, California, to construct a public highway crossing at grade over the tracks of Southern Pacific Company at approximately Engineer's Station 612 plus 50, and described as follows, to wit:

Being an extension of the extension of the E. B. Coggs well road 40 feet wide, the center line of which extends along the half section line north and south through section 36, township 2 north, range 8 east, M.D.B. and M., across the right of way of the Southern Pacific Company where said right of way crosses said half section line in the town of Peters, San Joaquin County, California.

All of the above as shown by the map attached to the application; said crossing to be constructed subject to the following conditions, viz:

(1) The crossing located approximately 480 feet east of the crossing granted in this order, except the crossing over the loading track, which shall remain open, shall be legally abandoned as a public road and shall

be closed to travel contemporaneously with the crossing herein authorized.

(2) The entire expense of constructing and maintaining the crossing at grade shall be borne by applicant except for those portions between the rails and for distances of two (2) feet outside thereof which shall be borne by Southern Pacific Company.

(3) The county shall secure the necessary right of way and construct at its own expense a sixty (60) foot road on the southerly side of the right of way of Southern Pacific Company to connect the existing crossing with the crossing herein authorized.

(4) Said crossing shall be constructed of a width not less than twenty (20) feet, with grades of approach not exceeding four (4) per cent; shall be protected by suitable crossing sign and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(5) The commission reserves the right to make such further orders relative to the location, construction, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of April, 1917.

DECISION No. 4282.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES AND SALT LAKE RAILROAD COMPANY FOR AUTHORITY TO ISSUE FIRST MORTGAGE BONDS IN THE AMOUNT OF ONE MILLION NINE HUNDRED SIXTY-NINE THOUSAND DOLLARS.

Application No. 2796.

Decided April 30, 1917.

Applicant authorized to issue \$1,969,000.00 face value of its first mortgage 4 per cent fifty-year bonds to be sold at not less than 82, proceeds thereof to be used to reimburse applicant's treasury for money expended for additions and betterments to its system, provided, that such moneys shall be used solely for the corporate purposes of applicant and not disbursed in dividends.

Applicant is engaged in interstate business and a portion of the proceeds of the bonds herein applied for will be expended in other states; however, as the entire issue is a lien upon applicant's property in California, the consent of the commission is necessary to their issuance.

A. S. Halsted, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

This is an application of Los Angeles and Salt Lake Railroad Company (formerly San Pedro, Los Angeles and Salt Lake Railroad Company) for authority to issue \$1,969,000.00 of its first mortgage 4 per cent fifty-year bonds.

The applicant proposes to issue these bonds for the purpose of reimbursing its treasury for moneys expended from income for additions and betterments to its property.

Los Angeles and Salt Lake Railroad Company owns and operates a line of railway extending from Los Angeles harbor in the state of California through the state of Nevada to Salt Lake City, Utah, a distance of 1,144 miles.

The applicant has heretofore been before this commission in connection with the issue of its bonds, and it is not necessary herein to review its corporate history.

The stock of the applicant is owned in equal divisions by the Oregon Short Line, which in turn is controlled by the Union Pacific Railroad Company, and Mr. W. A. Clark.

The expenditures made by the applicant for which it now asks reimbursement may be summarized as follows:

1. Branch lines	\$490,447 72
Includes construction of Delta branch from Delta, Utah, to Lucerne, Utah, 13.34 miles at a cost of	\$142,211 35
Hinkley branch from Moody Station on Delta branch to Waters, Utah, 1.65 miles at a cost of	9,733 20
And a portion of the cost of constructing the Santa Ana branch from Santa Ana to Pico, California, 24 miles, at a cost of	338,503 18
Of this latter sum, \$320,247.61 represents expenditures for right of way.	
2. Trestles, bridges, etc.	\$568,355 23
Includes also expenditures for tunnels, ballasting, widening cuts and fills, installing block and other signal apparatus, reduction of grades and curvatures, elevation and lowering of tracks, etc., at all points on system. Among the larger expenditures in California may be mentioned the following:	
Excess cost of replacing ballast deck trestle by through plate girder spans, second subdivision of California	\$16,503 56
Same	25,954 19
Same	18,281 33
Excess cost of steel girders replacing pile trestle, first subdivision of California	41,082 37
Same	52,143 39
Ballasting between Kelso and Manix	27,200 19
Ballasting between Ontario and Riverside	13,360 62
Block signal installation between Los Angeles and Riverside	57,988 20

3. Real estate -----	\$150,635 24
Includes expenditure of \$141,381.22 for purchase of real estate in the city of Los Angeles.	
4. Terminals, stations, shops, etc.-----	258,472 33
Includes also construction of additional spur track, miscellaneous track changes, construction of packing houses, stock yards, eating houses, etc., at all point on system.	

Among the larger expenditures in California may be mentioned:

9,500 feet industrial spur at Vernon, California-----	\$10,994 98
Spur for Simmons Brick Company, Los Angeles, California----	8,374 42
3,313 feet industrial spur, Fruitland, California-----	4,011 61
2,600 feet extensions to industrial spur, Fruitland, California----	3,754 40
Tank car, repair shop, Los Angeles-----	16,817 44
Addition to packing house, Riverside-----	4,995 88
Construction of packing house, Riverside-----	5,346 53
Construction of bean warehouse, Hartville, California-----	5,556 92
265 feet wharf, San Pedro, California-----	7,437 69
Automobile warehouse, 15-ton scale, 1,090 feet of service track--	6,731 71
5. Water tanks, pipe lines, etc.-----	20,845 91
The largest item amounts to \$13,061.01, representing a portion of the cost of constructing 5.4 miles of pipe line and a 1,000,000-gallon concrete reservoir at Kelso, California.	
6. Engines and rolling stock-----	91,495 68
Includes—	
1 Mikado type freight locomotive-----	\$25,668 57
3 Consolidated locomotives -----	32,871 22
5 caboose cars -----	8,990 84
7. Other additions and betterments-----	389,534 82
Includes new rail, fencing, betterments to equipment, improvement of streets, and other miscellaneous expenditures. Among the larger expenditures in California may be noted:	
90-lb. rail in place of 75-lb. rail, Ontario-Riverside -----	\$22,942 22
75-lb. rail on three passing tracks, Dunn-Baxter	12,835 82

The betterments to equipment include steel underframe for freight and passenger cars, superheaters and electric headlights for locomotives, storage battery equipment for observation cars, etc.

The miscellaneous expenditures include guard rails in tunnels, snow fences, rip-rapping, drainage ditches, etc.

Of these expenditures, the sum of \$983,235.25 is chargeable to the state of California; the sum of \$838,487.20 to the states of Nevada and Utah, and the balance of \$148,064.48 represents expenditures for rolling stock, etc., applicable to the entire property.

Some question has been raised as to the expenditure of the applicant for land, particularly in connection with its proposed branch line from Pico to Santa Ana. At the present ratio of these expenditures the right of way alone will cost the applicant between \$30,000.00 and

\$40,000.00 per mile. The commission is called upon herein, however, to pass upon the expenditures for merely a portion of these rights of way. The final adjudication of this matter may be left until such time as the applicant shall have actually acquired all of the properties necessary for its proposed branch. Applicant is now making further expenditures from its income to complete the rights of way and the construction of the line.

The applicant was not able to present an accurate estimate of the complete cost of constructing this branch from Pico to Santa Ana, but stated that the cost would "exceed \$40,000 per mile." It is probable that it will exceed this sum from twenty-five to fifty per cent or more.

Los Angeles and Salt Lake Railroad Company is extending into new and fertile sections of California, and may eventually continue its line southward from Santa Ana. In this regard its plans are indefinite.

The business of this company has very much improved during the last two or three years.

A summary of the company's earnings follows:

	1913	1914	1915	1916
Railway operating revenues-----	\$9,361,068 91	\$10,442,975 48	\$9,497,895 81	\$11,244,355 05
Railway operating expenses-----	7,527,029 04	7,446,435 40	6,178,827 63	6,678,176 99
Net operating revenues-----	\$1,834,039 87	\$3,407,467 34	\$3,319,068 18	\$4,566,178 06
Taxes-----	300,086 93	437,596 17	522,544 73	578,885 74
Operating income-----	\$1,533,952 94	\$2,969,871 17	\$2,796,523 45	\$3,987,292 32
Nonoperating income-----	37,356 96	46,397 49	97,319 16	109,647 94
Gross income-----	\$1,571,339 90	\$3,016,268 66	\$2,893,842 61	\$4,096,940 26
Deductions—				
Rentals-----	\$372,507 26	\$343,010 00	\$364,191 27	\$350,120 03
Miscellaneous taxes-----		46,480 00	94,801 64	100,422 61
Interest on funded debt-----	2,027,133 35	2,251,157 35	2,272,960 00	2,282,120 00
Interest on unfunded debt-----	167,717 09	51,370 71	21,787 90	10,623 33
Miscellaneous deductions-----	44,898 33	29,025 59	43,008 92	53,820 04
Total deductions-----	\$2,612,256 03	\$2,676,086 30	\$2,796,809 73	\$2,797,106 01
Net income for year-----	*\$1,040,916 13	\$340,182 36	\$97,032 88	\$1,299,834 25
Deficit at beginning of year-----	2,985,252 69	4,034,748 69	3,523,618 12	3,429,388 30
Miscellaneous additions for year-----	32,290 13	27,377 01	23,187 01	92,112 91
Miscellaneous deductions for year-----	40,870 00	13,420 16	25,516 46	91,316 41
Dividends-----				
Appropriations to reserves-----			473 61	10,721 58
Deficit at end of year-----	\$4,034,748 69	\$3,680,709 48	\$3,429,388 30	\$2,180,479 13

*Loss.

A statement of the assets and liabilities as of December 31, 1916, as appearing on petitioner's books, follows:

Assets.

Investments—		
Investment in road and equipment.....	\$78,088,245	98
Sinking funds	21,650	66
Deposits in lieu of mortgaged property sold..	2,650	00
Miscellaneous physical property.....	979,768	03
Las Vegas Land and Water Company.....	210,483	12
Other investments	56,485	94
		<hr/>
		\$79,359,292 73
Current assets—		
Cash	\$1,611,349	94
Special deposits	34	96
Loans and bills receivable.....	784	69
Traffic and car service balances receivable....	265,485	92
Net balance receivable from agents and con- ductors	200,481	78
Miscellaneous accounts receivable.....	217,575	46
Material and supplies.....	1,872,698	97
Interest and dividends receivable.....	86	73
Other current assets.....	2,113	87
		<hr/>
		4,170,612 32
Deferred assets—		
Working fund advances.....	\$2,675	47
Other deferred assets.....	131,399	40
		<hr/>
		134,074 87
Unadjusted debits—		
Discount on funded debt.....	\$1,515,582	78
Other unadjusted debits.....	208,943	39
		<hr/>
		1,724,526 17
		<hr/>
Total assets		\$85,388,506 09

Liabilities.

Stock—		
Capital stock	\$25,000,000	00
Long term debt—		
First mortgage 4 per cent bonds.....	57,053,000	00
Current liabilities—		
Traffic and car service balances payable.....	\$268,687	18
Audited accounts and wages payable.....	1,085,547	06
Miscellaneous accounts payable.....	10,400	05
Interest matured unpaid.....	1,141,060	00
Other current liabilities.....	12,126	04
		<hr/>
		2,517,820 33
Deferred liabilities—		
Other deferred liabilities.....	\$30,065	72
Tax liability	84,282	61
		<hr/>
		114,348 33
Unadjusted credits—		
Insurance and casualty reserves.....	\$150,473	31
Accrued depreciation—road	31,106	33
Accrued depreciation—equipment	1,678,117	52
Other unadjusted credits.....	88,782	81
		<hr/>
		1,948,479 97

Corporate surplus—	
Sinking fund reserves-----	\$21,659 66
Profit and loss, debit balance-----	1,266,802 20
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Total corporate surplus-----	*1,245,142 54
<hr/>	
Total liabilities -----	\$85,388,506 09

The bonds herein proposed to be issued will be acquired by the Oregon Short Line and W. A. Clark, the stockholders of the applicant. It is proposed that these bonds be issued at eighty-two (82) per cent of their face value or on approximately a five (5) per cent basis.

Under previous authorization from this commission, this applicant has sold approximately \$2,000,000.00 of its bonds at ninety (90) per cent of their face value and \$229,000.00 face value of its bonds at eighty-two (82) per cent of their face value.

It would appear that this applicant with its increased earnings and strong financial control should be able to finance itself on a more satisfactory basis, but it must be remembered that these are four (4) per cent bonds. Under all the circumstances, however, I shall recommend that the minimum price be fixed at eighty-two (82), with the understanding that the company shall endeavor to obtain a more favorable figure.

As has been shown, of the expenditures for the reimbursement of which bonds are now asked in the sum of \$1,969,000.00 the sum of \$983,235.25 was expended in California, the balance in Nevada, Utah, and for rolling stock, etc.

Obviously this commission can not check expenditures in other states. Our engineers report expenditures in California reasonable.

Applicant is engaged in interstate traffic and a large per cent of its present business, as well as that to be developed by the extension under consideration, is and will be interstate in character; hence subject to the Interstate Commerce Commission. However, as the entire issue of securities is a lien upon the property of applicant in California, the consent of this commission is necessary to such issue and as the testimony shows that the expenditures were for additions and betterments not chargeable to operation, and that the line from Los Angeles to Santa Ana, although expensive of construction, will produce profitable tonnage for applicant, probably more profitable than the average of its present earnings because of the large interstate tonnage which will be made available, and that applicant's earnings are now ample to pay operating expenses, upkeep, depreciation and interest on all bonded indebtedness, including the bonds now asked for, I recommend that this commission pass favorably upon the application and permit the issue as prayed for.

*Deficit.

ORDER.

Los Angeles and Salt Lake Railroad Company having made application to this commission for authority to issue \$1,969,000.00 face value of its first mortgage 4 per cent fifty-year bonds, as set forth in the foregoing opinion, to reimburse it for moneys expended from income for additions and betterments to its system during the period from January 1, 1914, to February 1, 1917, as set forth in the foregoing opinion, and it appearing that the money and property to be procured or paid for by said issue of bonds are reasonably required for the purposes specified in the order herein, and it appearing further that the purposes for which the bonds herein authorized are to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Los Angeles and Salt Lake Railroad Company be granted authority and it is hereby granted authority to issue \$1,969,000.00 face value of its first mortgage 4 per cent fifty-year bonds issued under its mortgage and deed of trust dated July 1, 1911, to Guaranty Trust Company of New York.

The authority herein given is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be issued by the applicant to reimburse it for moneys expended from income for additions and betterments to its property, as set forth in the foregoing opinion.

2. The moneys received by the applicant from the sale of the bonds herein authorized to be issued shall be used by the applicant solely for the corporate purposes of this applicant and not disbursed in dividends.

3. Los Angeles and Salt Lake Railroad Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The bonds herein authorized to be issued shall be sold so as to net the applicant not less than 82 per cent of their face value plus accrued interest thereon.

5. The authority herein granted to issue bonds is contingent upon the payment of the fee prescribed in section 57 of the Public Utilities Act as amended.

6. The authority herein granted shall apply only to such bonds as shall have been issued on or before December 31, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of April, 1917.

DECISION No. 4283.

E. K. WOOD LUMBER COMPANY, HART-WOOD LUMBER COMPANY,
HOOPER LUMBER COMPANY AND SWIFT & COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1059.

Decided April 30, 1917.

By THE COMMISSION.

ORDER OF DISMISSAL.

Complainants in the proceeding entitled as above having made written request that the action be dismissed,

It is hereby ordered that the same be and it is hereby dismissed without prejudice.

Dated at San Francisco, California, this thirtieth day of April, 1917.

Decisions Nos. 4284 and 4285, grade crossings; not printed. See end of volume.

DECISION No. 4286.

MASON WILSON

vs.

PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 1060.

Decided May 2, 1917.

By THE COMMISSION.

ORDER OF DISMISSAL.

The commission having since the filing of this complaint negotiated with Pacific Telephone and Telegraph Company with reference to the subject-matter thereof, and said company, as a result of said negotiations, having given full satisfaction of the matters complained of, and it appearing to the commission that further proceedings herein are unnecessary,

It is hereby ordered that said complaint be and the same is hereby dismissed.

Dated at San Francisco, California, this second day of May, 1917.

DECISION No. 4287.

IN THE MATTER OF THE APPLICATION OF NEVADA-CALIFORNIA-OREGON RAILWAY FOR AN ORDER AUTHORIZING THE CREATION OF A BONDED INDEBTEDNESS OF TWO MILLION TWO HUNDRED THOUSAND (\$2,200,000) DOLLARS AND FOR AN ORDER AUTHORIZING THE ISSUE OF ONE MILLION (\$1,000,000) DOLLARS FACE VALUE OF BONDS.

Application No. 2814.

Decided May 2, 1917.

Applicant having made arrangements to sell a portion of its line of railway to the Western Pacific Railroad Company and desiring to rearrange its outstanding securities, applies for and is given permission to execute a trust deed securing an issue of \$2,200,000.00 face value of bonds and to issue thereunder, at the present time, \$1,000,000.00 face value of which \$750,000.00 shall be used to retire an equal face value of outstanding bonds, the balance to be sold at not less than 93, proceeds to be used as specified by supplemental orders.

Applicant required to use the \$700,000.00 cash received from the Western Pacific Railroad as follows: \$606,000.00 to pay balance of present bonded indebtedness, \$60,600.00 to pay interest on such bonds should they not be paid off or retired before May 1, 1919, the balance to defray expenses of refinancing.

Sanborn & Roehl, for Applicant.

GORDON, *Commissioner*.

OPINION.

This is an application of Nevada-California-Oregon Railway for authority to execute a mortgage and deed of trust to secure an issue of \$2,200,000.00 of bonds and to issue thereunder \$1,000,000.00 face value of such bonds.

The petitioner operates 275 miles of railway in the states of Nevada, California and Oregon. Its properties consist of 235.71 miles of main single-track railroad of three-foot gauge extending from Reno, Nevada, through the counties of Sierra, Plumas, Lassen and Modoc, in the state of California, to Lakeview, Oregon; and 39.4 miles of single-track branch line extending from Plumas Junction in Lassen County to Clio, Plumas County, California. In addition the company owns 17.57 miles of yard tracks, sidings, etc., together with station facilities, rolling stock, etc., and all necessary facilities to the operation of a railway system.

The affairs of this company have been heretofore reviewed in decisions of this commission and it is unnecessary therefore to enter into a detailed recitation of applicant's history and operation.

In Decision No. 4288, rendered this day, this commission has authorized the petitioner herein to sell a portion of its system to The Western Pacific Railroad Company for the sum of \$700,000.00. This authorization comprehends the sale of 104 miles of road, comprising that portion

of the line from Hackstaff, Lassen County, California, to Reno, Nevada, and also the line from Plumas Junction to a point opposite Blairsden station on the main line of The Western Pacific Railroad Company in California. This will leave the applicant with 171 miles of main line track extending north from Hackstaff in Lassen County, California, to Lakeview, Oregon.

Nevada-California-Oregon Railway will connect with The Western Pacific Railroad Company at Hackstaff, and arrangements have been entered into for interchange of traffic.

In view of the sale of a portion of its line, Nevada-California-Oregon Railway proposes to readjust its finances. It has outstanding an issue of \$2,200,000.00 of stock, divided into \$750,000.00 par value of 5 per cent preferred stock and \$1,450,000.00 of common stock. The articles of incorporation provide that after the payment of 5 per cent dividends on the preferred stock, the common stock may participate in dividends up to 5 per cent and thereafter the two classes of stock may share alike.

The preferred stock has preference as to assets.

The company has an outstanding bonded indebtedness of \$1,356,000.00 of 5 per cent bonds issued under this mortgage and deed of trust, dated May 1, 1899, maturing May 1, 1919.

It is now proposed by the applicant to pay off and cancel its entire bonded indebtedness. It is the intention to execute a new mortgage providing for a total issue of \$2,200,000.00 of 6 per cent bonds, and to issue at this time \$1,000,000.00 of such bonds.

It is the purpose of the applicant to use \$750,000.00 face value of these bonds to retire bond for bond an equal amount of its present outstanding bonded indebtedness. It is known by applicant that an exchange may be made on this basis. It is the intention to sell the remaining \$250,000.00 face value of bonds at not less than 93 per cent of their face value and to use the proceeds for the reimbursement of its income for moneys expended upon additions and betterments and to provide for further additions and betterments in the way of terminal facilities, rolling stock, etc.

With the \$700,000.00 in cash which the applicant will receive from The Western Pacific Railroad Company from the sale of a portion of its line, it will pay off the balance of its bonded indebtedness amounting to \$606,000.00.

It is the belief of the applicant that the existing bondholders will surrender these \$606,000.00 of securities for cash prior to May 1, 1919, the maturity of the bonds. As a safeguard, however, the applicant will deposit the sum of \$60,600.00 in trust so as to pay the interest for two years, that is up to May 1, 1919, on the \$606,000.00, in case the holders shall fail to surrender them.

If the \$606,000.00 of bonds are surrendered for cash at this time the sum of \$60,600.00 deposited in trust will revert to the treasury of the applicant.

The remaining funds from the \$700,000.00 amounting to \$33,400.00, will be employed to defray the general cost of the transactions incidental to the sale of the 104 miles of the line to The Western Pacific Railroad Company and to the expenses of refinancing the company.

The plan of financing may therefore be summarized as follows:

\$1,000,000.00 of bonds to be issued forthwith, to be used for the following purposes:	
To retire \$750,000.00 of outstanding bonds, bond for bond	\$750,000 00
To pay for additions and betterments, to be issued at 93	250,000 00
Total	\$1,000,000 00
Use to be made of \$700,000.000 of cash received from The Western Pacific Railroad Company:	
To be placed in trust to retire \$606,000.00 of bonds	\$606,000 00
To be placed in trust to pay two years interest on \$606,000.00 of bonds if not surrendered	60,600 00
To defray expenses incidental to financial readjustment	33,400 00
Total	\$700,000 00

This plan provides for the retirement of the present outstanding bonded indebtedness amounting to \$1,356,000.00 as follows:

To be retired by new bonds, on a bond for bond basis	\$750,000 00
To be paid for in cash	606,000 00
Total	\$1,356,000 00

This plan will leave the applicant with 171 miles of narrow-gauge line equipped with the necessary facilities and with a bonded indebtedness of \$1,000,000.00, or at the rate of \$5,847.00 per mile. The railway will operate for 157 miles in California and 14 miles in Oregon.

The mortgage and deed of trust under which the bonds are to be issued provides for a total of \$2,200,000.00 of bonds. They are to be dated May 1, 1917, and are to mature May 1, 1967. The bonds carry 6 per cent interest and are redeemable at 105.

After the issue of \$1,000,000.00, the remaining \$1,200,000.00 of bonds may be issued for additions and betterments at a rate not to exceed \$20,000.00 per mile for such new construction, provided that at no time shall the bonds outstanding exceed \$10,000.00 per mile for the entire system.

The instrument provides further that any essential property shall be released from the mortgage only upon the consent of the holders of 75 per cent of the bonds.

A sinking fund will begin to operate in 1922 and from that date to 1931 will consist annually of $\frac{1}{4}$ of 1 per cent of the bonds outstanding;

and after 1932 the sinking fund will consist annually of $\frac{1}{2}$ of 1 per cent of the bonds outstanding.

Provision is made by which the holders of 25 per cent of the bonds may require the trustee to institute proceedings in default, but such proceedings shall be controlled by the holders of a majority of the bonds outstanding.

It is provided, further, that the trust deed may be amended by agreement between the company and the holders of 90 per cent of the outstanding bonds, provided the commission or court having jurisdiction shall also approve such amendment or modification.

Nevada-California-Oregon Railway has submitted the following earning statement for the year ending December 31, 1916:

Operating revenue	\$391,725 86
Operating expense	323,349 92
Net revenue from operation.....	\$68,375 94
Railway tax accruals.....	\$23,373 24
Uncollectible bills	93 62
Railway operating income.....	\$44,909 08
Net operating income.....	4,171 03
Gross income	\$49,080 11
Interest on bonds.....	\$64,008 76
Miscellaneous deductions	1,500 00
Total deductions	\$65,500 76
Deficit	\$16,426 65

Applicant has submitted an analysis of its earnings for the year ending December 31, 1916, indicating that it is disposing of the unprofitable section of its line and is retaining that which proved remunerative.

For the line which it will retain, operating between Hackstaff, California, and Lakeview, Oregon, the company submits the following statement of earnings:

Railway operating revenue.....	\$314,938 88
Operating expenses	225,812 55
Net revenue from railway operations.....	\$89,126 33
Railway tax accruals.....	\$13,491 59
Uncollectible railway revenue.....	93 62
Railway operating income.....	\$75,541 12
Nonoperating income	976 03
Gross income	\$76,517 15

The interest on the \$1,000,000.00 bond issue will amount to \$60,000.00.

Nevada-California-Oregon Railway submitted the following statement of assets and liabilities as of December 31, 1916:

Assets.

INVESTMENTS.

Investment in road and equipment.....	\$4,250,472 65
Sinking funds	177 79
Miscellaneous physical property.....	16,446 56
Other investments (notes).....	16,133 38
Total investments	\$4,283,230 38

CURRENT ASSETS.

Cash	\$42,208 98
Traffic balances receivable.....	4,808 56
Net balance receivable from agents and conductors.....	2,765 28
Miscellaneous accounts receivable.....	11,732 04
Material and supplies.....	45,632 22
Interest and dividends receivable.....	176 80
Total current assets.....	\$107,323 88

DEFERRED ASSETS.

Other deferred assets.....	\$1,286 71
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UNADJUSTED DEBITS.

Rents and insurance paid in advance.....	\$375 88
Other unadjusted debits.....	5,644 25
Total unadjusted debits.....	\$6,020 13
Total	\$4,397,861 10

Liabilities.

STOCK.

Capital stock	\$2,200,000 00
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LONG TERM DEBT.

Funded debt unmatured.....	\$1,356,000 00
Less bonds held in treasury.....	44,000 00
	\$1,312,000 00

CURRENT LIABILITIES.

Traffic balances payable.....	\$14,650 53
Audited accounts and wages payable.....	29,876 78
Miscellaneous accounts payable.....	9,513 98
Interest matured unpaid.....	650 00
Unmatured interest accrued.....	10,933 33
Total current liabilities.....	\$65,624 62

DEFERRED LIABILITIES.

Other deferred liabilities.....	\$48 00
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UNADJUSTED CREDITS.	
Tax liability	\$3,766 98
Accrued depreciation—road	109,079 87
Accrued depreciation—equipment	109,305 80
Accrued depreciation—miscellaneous physical property	1,644 55
Other unadjusted credits	1,556 95
Total unadjusted credits	\$225,354 15
CORPORATE SURPLUS.	
Additions to property through income	\$418,189 14
Funded debt retired through income	98,870 00
Sinking fund reserve	13,760 29
Profit and loss balance	64,014 90
Total corporate surplus	\$594,834 33
Total	\$819,188 48

Applicant has submitted an estimate of the reproduction value of the properties it will retain amounting to \$2,715,967.90. For the purposes of this application, it will not be necessary to make a detailed check of this figure.

I am of the opinion that through the sale of a portion of its property and the traffic agreement to be made with The Western Pacific Railroad Company, applicant will be left in a financial position at least as favorable as at present. It will be relieved of competitive operation over a portion of its system and will be enabled to extend its line northward above Lakeview, in Oregon.

I believe the purposes for which the applicant proposes to issue its bonds are reasonable. As the company has not submitted complete details of the use to be made of the proceeds from the sale of \$250,000.00 of its bonds for reimbursement and for additions and betterments, I believe a preliminary order will be sufficient at this time in regard to this feature of the application. When the company shall have determined the purposes for which this money is to be expended a supplemental order may be issued thereon.

The order will provide that in case the \$60,600.00 of deposited funds are not required to pay interest on outstanding bonds, this amount will be returned to applicant's treasury to be disbursed only upon the authorization of this commission.

I recommend that the application be granted, and submit the following form of order:

ORDER.

Nevada-California-Oregon Railway having applied to this commission for authority to execute a mortgage and deed of trust to Union Trust Company of New York to secure an issue of \$2,200,000.00 of its first mortgage 6 per cent fifty-year bonds and to issue \$1,000,000.00 of such bonds; and a hearing having been held, and it appearing to

this commission that the money and property to be procured and paid by such issue is reasonably required for the purposes specified in the order herein, and it appearing further that the purposes for which it is proposed to issue said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Nevada-California-Oregon Railway be granted authority and it is hereby granted authority to execute a mortgage and deed of trust to Union Trust Company of New York substantially in the form of a copy of said mortgage and deed of trust submitted in connection with the application herein, and marked Exhibit E-3.

It is hereby further ordered that Nevada-California-Oregon Railway be granted authority and it is hereby granted authority to issue \$1,000,000.00 of its first mortgage 6 per cent fifty-year bonds under its proposed mortgage and deed of trust to Union Trust Company of New York referred to in the foregoing paragraph.

The authority herein granted to issue said bonds is granted upon the following conditions and not otherwise:

1. Seven hundred fifty thousand dollars face value of said bonds shall be used to retire \$750,000.00 of applicant's outstanding 6 per cent bonds, maturing May 1, 1919.

2. Two hundred fifty thousand dollars face value of said bonds shall be sold at not less than 93 per cent of the face value thereof, plus accrued interest thereon, but such sale shall be made only after this commission shall have issued a supplemental order stating the purpose or purposes for which the proceeds from such sale are to be issued.

3. Applicant shall use the \$700,000.00 in cash to be received from The Western Pacific Railroad Company from the sale of a portion of its line as follows:

(a) The sum of \$606,000.00 shall be deposited in trust to pay the balance of applicant's present bonded indebtedness amounting to \$606,000.00.

(b) Sixty thousand six hundred dollars shall be deposited in trust to pay interest on any or all of said \$606,000.00 of applicant's bonded indebtedness, which may not be paid off or retired prior to May 1, 1919, but any part of such sum of \$60,600.00 which may not be required for such purpose shall be returned to applicant's treasury to be disbursed thereafter only for such purposes as shall by supplemental order be approved by this commission.

(c) Thirty-three thousand four hundred dollars shall be used to pay general expenses incidental to the sale of applicant's properties to The Western Pacific Railroad Company and to defray the cost of applicant's refinancing, when a list of such expenses shall have been submitted to this commission and approved by supplemental order.

4. Nevada-California-Oregon Railway shall submit to this commission a copy of its proposed traffic agreement with The Western Pacific Railroad Company and shall by supplemental order receive this commission's approval thereof.

5. Nevada-California-Oregon Railway shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted Nevada-California-Oregon Railway to issue bonds is conditioned upon the payment by Nevada-California-Oregon Railway of the fee prescribed by the Public Utilities Act.

7. The authority granted Nevada-California-Oregon Railway to issue bonds shall only apply to such bonds as shall have been issued on or before June 30, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of May, 1917.

DECISION No. 4288.

IN THE MATTER OF THE APPLICATION OF NEVADA-CALIFORNIA-OREGON RAILWAY FOR AUTHORITY TO SELL AND OF THE WESTERN PACIFIC RAILROAD COMPANY FOR AUTHORITY TO PURCHASE THAT PORTION OF THE LINES OF RAILROAD OF NEVADA-CALIFORNIA-OREGON RAILWAY FROM HACKSTAFF, LASSEN COUNTY, CALIFORNIA, TO RENO, NEVADA, AND ALSO THE LINE FROM PLUMAS JUNCTION TO A POINT OPPOSITE BLAIRSDEN STATION, ON THE MAIN LINE OF THE WESTERN PACIFIC RAILROAD COMPANY; AND FOR PERMISSION TO ABANDON THAT PORTION OF THE LINE OF THE NEVADA-CALIFORNIA-OREGON RAILWAY BETWEEN THE STATIONS OF HACKSTAFF AND PLUMAS JUNCTION, AND BETWEEN PLUMAS JUNCTION AND A POINT OPPOSITE BLAIRSDEN ON THE MAIN LINE OF THE WESTERN PACIFIC RAILROAD COMPANY.

Application No. 2813.

Decided May 2, 1917.

Duplication of service, especially in sparsely settled territory, and the limited ability of a narrow-gauge line to serve its patrons as efficiently as a standard gauge line having transcontinental connections, is sufficient to warrant the commission in

authorizing the transfer of portions of the line of the narrow-gauge road and the abandonment of such other portions thereof serving territory which is also served by the standard-gauge road.

Nevada-California-Oregon Railway Company authorized to sell to the Western Pacific Railroad Company for the sum of \$700,000.00 certain specified portions of its line of railway, together with station facilities, terminal grounds, etc. Applicants also authorized to abandon lines running from Plumas Junction to Hackstaff and Davies Mill, provided that such lines shall not be abandoned until regular train service has been commenced following the completion of a standard-gauge road to serve such territory.

A. B. Rochl, of Sanborn & Rochl, for Nevada-California-Oregon Railway Company.

A. R. Baldwin and Allan P. Matthew, for The Western Pacific Railroad Company.

GORDON, *Commissioner.*

OPINION.

This is a joint application by the Nevada-California-Oregon Railway Company and The Western Pacific Railroad Company in which an order of the commission is asked approving the sale of a portion of the line of railroad of the Nevada-California-Oregon Railway to The Western Pacific Railroad Company, also authority for abandonment of the portion of the line of the Nevada-California-Oregon Railway between Hackstaff and Plumas Junction in the county of Lassen, and between said Plumas Junction and a point opposite Blairsden on the main line of the Western Pacific Railroad in the county of Plumas, state of California. A public hearing was held at San Francisco on April 5, 1917, the matter was duly submitted and is now ready for decision.

The Nevada-California-Oregon Railway is a narrow-gauge line extending from Reno, Nevada, to Lakeview, Oregon, and with a branch line extending from Plumas Junction, Lassen County, to Davies Mill in Plumas County in the state of California. The line crosses the main line of The Western Pacific Railroad at the joint station of Hackstaff in Lassen County.

The Western Pacific Railroad Company, being desirous of extending its standard-gauge line from a point near the east portal of Chilecot Tunnel to the city of Reno, Nevada, and of acquiring the rights of way and other physical property of the Nevada-California-Oregon Railway, especially the terminal property in the city of Reno which is advantageously located, has agreed with the applicant, Nevada-California-Oregon Railway, to purchase for the sum of seven hundred thousand dollars (\$700,000.00) the line of railroad extending from a point near Hackstaff in the county of Lassen, state of California, to the city of Reno, county of Washoe, state of Nevada; also the line of railroad

extending from Plumas Junction in the county of Lassen to the station of Davies Mill in the county of Plumas, all in the state of California; including all physical property, rights of way, terminal facilities, excepting, however, the rolling stock equipment and the residence of the general manager of the Nevada-California-Oregon Railway on Court street in the city of Reno, Nevada.

Under the terms of the purchase agreement the Nevada-California-Oregon Railway is obligated to furnish service and to operate the line from Hackstaff, California, to Reno, Nevada, and from Plumas Junction to Davies Mill, until such time as The Western Pacific Railroad Company shall have completed a standard-gauge line from a point on its main line to the city of Reno, and upon the completion of such line the operation of the narrow-gauge line by the Nevada-California-Oregon Railway shall cease. The Nevada-California-Oregon Railway, pending the construction of a standard-gauge line by the Western Pacific Railroad Company to serve the Davies Box and Lumber Company at Davies Mill, is to carry out, for its own account, the terms of an existing contract between the Nevada-California-Oregon Railway and the Davies Box and Lumber Company.

The total mileage proposed to be transferred under the agreement of sale is one hundred four (104), of which seventy-six (76) are located in the state of California and twenty-eight (28) in the state of Nevada. This is divided as between main line and branch line as follows:

Main line—Reno, Nevada, to Hackstaff, Lassen County, California (including sidings, and yard tracks)	64.8 miles
• Branch line—Plumas Junction, Lassen County, to Davies Mill, Plumas County, California (including sidings and yard tracks)---	39.2 miles
Total	104 miles

It is proposed by the applicant, The Western Pacific Railroad Company, to take up and scrap the entire track purchased and to abandon entirely the portion of the main line between Hackstaff and Plumas Junction (30.61 miles) and all of the branch line between Plumas Junction and Davies Mill (39.2 miles). A connection with the standard-gauge Western Pacific main line will be made at a point east of Chilcoot tunnel and with the right of way acquired from the Nevada-California-Oregon Railway at or near the station of Plumas Junction. The main line of the Nevada-California-Oregon Railway between Plumas Junction, California, and Reno, Nevada, will be reconstructed, partly in a new location, as a standard-gauge Western Pacific branch line.

The present narrow-gauge line of the Nevada-California-Oregon Railway from Davies Mill to Plumas Junction and from Plumas Junction to Hackstaff is closely paralleled by the standard-gauge main line of The Western Pacific Railroad, and the country is but sparsely settled.

With the exception of lumber and forest products originating at the stations of Delliker, Clio and Davies Mill, all on the branch line between Plumas Junction and Davies Mill, there is no business of any volume handled and all stations proposed to be eliminated by the abandonment and reconstruction of a portion of the line transferred will be served by stations on the present main line of The Western Pacific Railroad Company or stations remaining on the portion of the line which will be reconstructed as a standard-gauge branch line of that company.

The stations to be abandoned entirely are as follows:

Main line—

Chat—nonagency.
Cameron—nonagency.
Red Canyon—nonagency.
Constantia—nonagency.
Doyle—agency.

Branch line—

Chilcoot—nonagency.
Granite—nonagency.
Vinton—nonagency.
Moffitt—nonagency.
Beckwith—agency.
Gulling—nonagency.
Portola—agency.
Delliker—nonagency.
Clairville—nonagency.
Spur to Totten Mill—nonagency.
Clio—agency.
Davies Mill—nonagency.

A field investigation has been made by Mr. W. J. Handford, railroad service inspector of the commission, as to the effect of the abandonment of the above-mentioned stations upon the public heretofore served by the line of the Nevada-California-Oregon Railway, in which all stations, both agency and nonagency, were visited and shippers and receivers of freight were interviewed. No objection was made by any person interviewed against the proposed abandonment, and from such investigation it appears that all agency stations are at present equally served by the present main line of The Western Pacific Railroad Company, that many of the nonagency stations exist as passing tracks for operating purposes and have no station buildings or residents closely adjacent thereto. The nonagency stations of Constantia, Gulling and Delliker and the agency station of Doyle are at present served by the main line of The Western Pacific Railroad, and the small communities served are located closely adjacent to the tracks of that company.

The principal shippers to be affected by the abandonment of the narrow-gauge line of the Nevada-California-Oregon Railway are the Davies Box and Lumber Company, shipping from Davies Mill, and the Feather River Lumber Company, shipping from Clio and Delliker.

The officials of both companies have no objection to the proposed abandonment, arrangements having been made by The Western Pacific Railroad Company to furnish service that will be of greater advantage when the broad-gauging of spur tracks to their industrial plants will have been accomplished.

Mr. Chas. M. Levey, president of The Western Pacific Railroad Company, testified at the hearing on this application as to the desire on the part of his company to secure access to the city of Reno and as to the desirable terminal facilities of the Nevada-California-Oregon Railway therein located; also as to the service proposed to care for the needs of all shippers and receivers of freight formerly using the line of the Nevada-California-Oregon Railway. It was also developed at the hearing of this application that a traffic agreement was to be executed between the Nevada-California-Oregon Railway and The Western Pacific Railroad Company, on terms mutually advantageous and having reference to the traffic originating on or destined to points on the Nevada-California-Oregon Railway north of the station of Hackstaff. The interests of shippers and receivers of freight between such northerly points and Reno, and points intermediate on the portion of the line of the Nevada-California-Oregon Railway proposed to be abandoned, will be served by such agreement, in that reliable service by standard-gauge equipment will be available with transfer from the narrow-gauge cars at Hackstaff.

In view of the foregoing facts, I am of the opinion that the public interest and the needs of the shippers and receivers of freight on the portion of the line of the Nevada-California-Oregon Railway proposed to be sold will be adequately served by the granting of this application and the approval of the annexed agreement, also by the abandonment of the portion of the line which is not necessary in connection with the broadgauging to permit access to the southerly terminus at Reno, Nevada.

The duplication of service, especially in a sparsely-settled territory and in view of the limited ability of a narrow-gauge line to serve its patrons as efficiently as a standard-gauge line having trancontinental connections, places an unnecessary burden upon the expense of operation of both lines and, in turn, upon the public in the communities served. The proposed arrangement and transfer as presented by this application appear after careful analysis and investigation to be of material advantage, not only to the applicants in this proceeding but to the general public.

I recommend that this application be granted and submit the following form of order:

ORDER.

Nevada-California-Oregon Railway, a corporation, and The Western Pacific Railroad Company, a corporation, having made application for an order authorizing the sale of the lines of railroad of the Nevada-California-Oregon Railway, hereinafter more fully described, and the purchase of same by The Western Pacific Railroad Company, and for the authorization of abandonment of certain portions of the lines proposed to be transferred; a public hearing having been held, and the commission being fully advised and of the opinion that the application should be granted,

It is hereby ordered (1) that the Nevada-California-Oregon Railway be and the same hereby is authorized to sell and convey to The Western Pacific Railroad Company, and The Western Pacific Railroad Company be and the same hereby is authorized to purchase from the Nevada-California-Oregon Railway, in accordance with the conditions of a proposed agreement attached to the application in this matter and marked "Exhibit A," all the right, title and interest of the Nevada-California-Oregon Railway in and to the following described lines of railroad, terminals, lands, machinery, tools and other real and personal property now owned by the Nevada-California-Oregon Railway, to wit:

(1) A line of railroad extending from a point not more than two thousand (2,000) feet south of the point where the line of the Nevada company crosses the main line of the Pacific company at Hackstaff crossing, in the county of Lassen, in the state of California, and extending thence in a southeasterly direction through the counties of Lassen and Sierra, in the state of California, and the county of Washoe, in the state of Nevada, to and into the city of Reno, in said county of Washoe.

(2) A line of railroad extending from a connection with the line of railroad hereinabove described in clause (1) of this paragraph at Plumas Junction, in the county of Lassen, in the state of California, and extending thence in a westerly direction through the county of Lassen and the county of Plumas, in the state of California, to a point opposite Blairsden station on the main line of the Pacific company, in the said county of Plumas.

(3) All real estate, office buildings, passenger stations, freight houses, warehouses, coal houses, car houses, engine houses, storehouses, machine shops, repair shops, blacksmith shops and other structures; all turntables, water stations, water tanks, and water supplies; all spur tracks, sidetracks, turnouts, and switches; all superstructures, bridges, viaducts, stringers, ties, rails, frogs and bolts; all fences; such telegraph and telephone lines, poles, wires, signals, and instruments as may be now owned by the Nevada company; and all machinery, apparatus, tools, implements, appliances, and furniture, appertaining to, or used or held for use as a part

or parts of, or to facilitate or safeguard the maintenance and operation of, either of the above described lines of railroad or any terminals thereof, including all real and personal property, all leaseholds, and all rights, privileges, and franchises owned or held by the Nevada company in the city of Reno, Nevada; excepting, however, the residence of the general manager of the Nevada company on Court street in the city of Reno, Nevada.

(2) That suspension of service, abandonment and removal of track be and the same hereby is authorized over the following portions of the line of the Nevada-California-Oregon Railway hereinabove authorized to be sold and transferred to The Western Pacific Railroad Company:

Commencing at a point not more than two thousand (2,000) feet south of the point of crossing of the line of the Nevada-California-Oregon Railway with the line of The Western Pacific Railroad Company at the station of Hackstaff, county of Lassen, state of California, and extending thence in a southeasterly direction to a point at or near the station of Plumas Junction, county of Lassen, state of California, said point to be the point of connection with a proposed standard-gauge track to be constructed from a point at or near the easterly portal of Chilcoot tunnel to a point at or near said Plumas Junction.

Commencing at a point in the county of Plumas, state of California, at the station of Davies Mill and extending thence in an easterly direction through the county of Plumas and the county of Lassen, state of California, to the station of Plumas Junction in the said county of Lassen.

The suspension of service, abandonment and removal of track hereby authorized shall not be effective until and upon the commencement of regular train service following completion of the construction of a standard-gauge railroad by The Western Pacific Railroad Company, commencing at a point at or near the easterly portal of Chilcoot tunnel on the main line of said Western Pacific Railroad to a connection with the line of the Nevada-California-Oregon Railway at or near Plumas Junction in the county of Lassen, state of California, and of a standard-gauge line from such connection to the city of Reno, county of Washoe, state of Nevada, and of a standard-gauge spur track from a point at or near Blairsden on the main line of said Western Pacific Railroad serving the plant of the Davies Box and Lumber Company at Davies Mill in the county of Plumas, state of California.

The authority herein granted for the sale of the property of the Nevada-California-Oregon Railway to The Western Pacific Railroad Company for the sum of seven hundred thousand dollars (\$700,000.00) is granted on condition that the price paid by The Western Pacific Railroad Company for said property of Nevada-California-Oregon Railway shall not be binding upon this commission or any court or other public body as a finding of value for said property.

The commission reserves the right to make such other and further orders with respect to the transfer of property or the suspension of service, abandonment and removal of track as to it may appear right and proper or if in its judgment such are deemed necessary for the public interest.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of May, 1917.

DECISION No. 4289.

IN THE MATTER OF THE APPLICATION AND EFFECT OF THE RATES, RULES AND REGULATIONS TO BE CHARGED AND APPLIED BY SAN JOAQUIN LIGHT AND POWER CORPORATION AS ESTABLISHED BY DECISIONS Nos. 3241 AND 3277 OF THE RAILROAD COMMISSION.

Case No. 1042.

(On the commission's own motion.)

Decided May 2, 1917.

- An action on the commission's own initiative looking into the results of rates, rules and regulations, heretofore established, covering the entire system of defendant company.
1. Respondent, when purchasing the transformers owned by its consumers, is not warranted in deducting the cost of oil, inasmuch as that in filling such transformers, the cost of the oil was charged to operating expenses and consequently paid for by consumers through the medium of rates.
 2. In purchasing transformers owned by consumers, the price to be paid should be based on the cost in place on the consumers' poles and not the cost delivered to respondent's storerooms; depreciation to be figured at 5 per cent per year except after May 1, 1916, the effective date of the original order.
 3. Respondent required to pay interest at the rate of 6 per cent per annum on the ascertained value of all transformers which it has failed to purchase, beginning with the effective date of the present decision.
 4. A minimum not larger than 75 cents per month for domestic service is reasonable and proper in centers of population such as Fresno and Bakersfield.
 5. A utility can not expect each individual extension which it makes to be profitable in itself. Respondent is, however, permitted to require a monthly minimum guarantee for a specified period of time from consumers served by extensions into unincorporated territory which are considered unusually expensive.
 6. A contract required by respondent providing that a development company shall stand expense of constructing distributing lines to serve consumers residing in territory within the corporate limits of the city of Fresno is unwarranted under the commission's ruling that utilities are required to make all extensions within incorporated territory at their own expense. Cancellation of contract required.
 7. When a revised schedule of rates is established by the commission and a particular consumer is automatically placed under a certain schedule and subsequently finds that he could have received energy under a more favorable rate, the commission can not hold that the corporation has acted in error and require a readjustment of the amounts heretofore collected.

8. The results of tests indicate that readjustments on the basis of a 94 per cent demand factor are not warranted in connection with the use of demand meters and its discontinuance required.
9. Respondent required to acquaint all of its agricultural consumers with the methods of determining, by revolutionary tests, the load on their plants at starting and also under normal operating conditions so that consumers may determine for themselves whether the installation of a demand meter or payment based on rated capacity of their motors is the most favorable.
10. When respondent finds a demand factor in excess of 100 per cent and files with the commission and the consumer notice of its intention to install a demand meter, it shall have the right to charge such consumer on a basis of the last demand test until the meter is actually installed or until a new test is taken. Consumers requiring a test once in less than two months shall bear the expense thereof.
11. Electric lights used in connection with pumping apparatus must be considered as utilization equipment and the proper amount of power they require should be added to the capacity of the motor; however, such charge should not exceed the actual wattage of the lamps used.
12. It is held to be entirely reasonable for respondent to require consumers desiring seasonable service only, to specify a definite length of time during which they will require such service; however, it is unreasonable to require a definite forecast of the exact date when the consumer desires such service to start.
13. There is no justification for penalizing a seasonal consumer who requires service beyond the time specified in his contract. It is to the advantage of the utility to encourage the additional use of its service, and the additional service should be given, if continuous, at the same rates provided by the original contract.
14. Respondent required to rectify at once the difference in voltage between its supply systems in the cities of Bakersfield and East Bakersfield.

Short & Sutherland, for San Joaquin Light and Power Corporation.

THELEN, Commissioner.

OPINION.

This is a proceeding initiated by the Railroad Commission on its own motion, for the purpose of examining into informal complaints which have been made, affecting the rates, rules and regulations of the San Joaquin Light and Power Corporation, hereinafter called the San Joaquin corporation, as established by the Railroad Commission in what is commonly known as the "San Joaquin Case." The decision in that case was rendered on April 6, 1916, and the decision on rehearing on April 22, 1916. The rates, rules and regulations established by the Railroad Commission in that proceeding were, to a considerable extent, different from those which had theretofore existed. During the first nine months of operation under the new schedules, with which neither the company nor its consumers were entirely familiar, difficulties have arisen between the San Joaquin corporation and certain of its patrons both in connection with the application of the new rates and in otherwise carrying out the intent of the commission's Decision No. 3241 (Vol. 9, Opinions and Orders of the Railroad Commission of California, p. 542), and of Decision No. 3277 on petition of the San Joaquin corporation for rehearing (Vol. 9, Opinions and Orders of the Railroad Commission of California, p. 776).

The commission considered it advisable to hold public hearings for the purpose of receiving the complaints and suggestions of consumers of the San Joaquin corporation concerning matters involved in the original proceedings and the effect of a season's application of the new schedules. It was also thought advisable to consider at this time all the unadjusted informal complaints against the San Joaquin corporation.

Public hearings were held in Bakersfield on February 23, 1917, and in Fresno on February 24, 1917. The proceeding was submitted on the latter date with the understanding that certain data which had been called for by the commission and other data offered by the San Joaquin corporation might be filed later and considered as part of the evidence in this proceeding.

At the time this proceeding was submitted, the following exhibits had been filed by the respective parties:

- Consumers of the San Joaquin corporation, Exhibit No. 1.
- San Joaquin corporation, Exhibits No. 1 and No. 2.
- Railroad Commission, Exhibit No. 1.

By stipulation the following documents bearing upon the issues of this case are considered as being in evidence without the assignment of formal exhibit numbers:

- Annual Report of the San Joaquin Light and Power Corporation for the year ending December 31, 1916.
- The evidence in Application No. 1666, in so far as pertinent herein.
- Informal complaint files referred to by number in Railroad Commission's Exhibit No. 1, herein.
- Agreement dated May 22, 1915, between Westinghouse Electric and Manufacturing Company and San Joaquin Light and Power Corporation, together with the supplemental proposal of the same date.
- Letter dated March 31, 1916, from Westinghouse Electric and Manufacturing Company to the San Joaquin Light and Power Corporation, containing revision of prices of Westinghouse distribution transformers.
- Letter dated May 27, 1916, from Westinghouse Electric and Manufacturing Company to Mr. J. H. Newlin, purchasing agent, of San Joaquin Light and Power Corporation, referring to future delivery order of distributing transformers.
- Letter dated November 28, 1916, from W. E. Durfey, office assistant to general manager, San Joaquin Light and Power Corporation to Railroad Commission, with enclosures.
- Letter dated January 9, 1917, from R. F. Behan, manager supply division, Westinghouse Electric and Manufacturing Company, to Railroad Commission, with enclosures.

It was further stipulated that such documents as might be filed by the parties subsequent to the hearings herein should be considered as evidence. The following documents have been filed by San Joaquin corporation, have been given the exhibit numbers indicated, and will be considered as being in evidence in these proceedings:

- Exhibit No. 3—Report of progress in correcting voltage conditions in Bakerstfield.
- Exhibit No. 4—Report of consumption at pumping plant of Dr. C. W. Kellogg, January, 1912, to December, 1916.

- Exhibit No. 5—Record of service interruptions in McFarland District from July 3, 1916, to January 31, 1917.
- Exhibit No. 6—Correspondence with reference to purchase of transformers from Wm. Burchett.
- Exhibit No. 7—Details of San Joaquin corporation's method of computing consumers' transformer values.
- Exhibit No. 8—Report of engineering department of San Joaquin corporation concerning transformer failures, classified by manufacturers' types.
- Exhibit No. 9—Supplementary report on correcting voltage conditions in Bakersfield.
- Exhibit No. 10—Report concerning transformers considered by San Joaquin corporation to be below standard.
- Exhibit No. 11—Copy of letter from C. E. Heise, district manager, Westinghouse Electric and Manufacturing Company, to Mr. J. H. Newlin, purchasing agent, San Joaquin Light and Power Corporation, referring to extension of transformer contract.
- Exhibit No. 12—Installation of maximum demand meters on irrigation consumers and variations of demand with time after starting pumping motors.

The following additional exhibit was filed by the consumers of the San Joaquin corporation and will be considered in evidence:

- Exhibit No. 2—Contract between Central California Land and Improvement Company and San Joaquin Light and Power Corporation, dated March 17, 1916.

A detailed report on certain tests concerning which Mr. J. F. Pollard, of the Railroad Commission's engineering department, testified at the Bakersfield hearing, has been prepared and filed herein as Railroad Commission's Exhibit No. 2.

The matters concerning which complaint was made herein, may be divided into several general subjects which will be considered in the order indicated. In a few instances individual complaints will be considered as special cases and these will be discussed along with the general subject to which they are most closely related.

- I. *Purchase of consumers' transformers:*
 1. Prices offered for standard types.
 2. Types of transformers considered below standard and prices offered for same.
 3. Purchase of transformers previously replaced by San Joaquin Corporation.
- II. *Minimum guaranty for domestic service from rural distributing lines.*
- III. *Service extensions.*
- IV. *Selection of the proper schedule in changing from the old to the new system of rates.*
- V. *Effect of the use of maximum demand meters:*
 1. Adjustment on the 94 per cent demand factor and effect of abnormal demands.
 2. Time interval.
 3. Determination of demands where meters are not available.
 4. Demand charge for pit lights.
- VI. *Seasonal service:*
 1. Determination of date upon which season shall start.
 2. Additional service beyond season contracted for.

- VII. *Voltage conditions in East Bakersfield.*
- VIII. *Modification of other schedules and rules:*
 - 1. Off pumping season service for agricultural consumers.
 - 2. Rates for agricultural consumers whose load factor is low.
 - 3. Seasonal industrial minimums.
- IX. *Service interruptions.*

I.

Purchase of Consumers' Transformers.1. *Prices offered for standard types.*

In said Decision No. 3241, this commission at page 568, said:

"The rates herein prescribed are established on the assumption that the San Joaquin corporation will take over, under equitable conditions, all transformers now on its system and heretofore paid for by its consumers. * * * It is suggested that payment for the existing transformers may be made under uniform rules and regulations by crediting the consumers with a fixed percentage of the fair value of the transformers on the consumer's bills month by month until the transformers are fully paid for."

In accordance with this suggestion, the San Joaquin corporation, on May 1, 1916, made effective its Rule No. 22, which is in part as follows:

"Where a transformer is owned and now used by a consumer in connection with service being supplied by the company, the company will, under normal conditions, purchase such transformer at the current price paid by the company for such type of transformer, less 5 per cent per annum for depreciation. Such price when agreed on shall be paid in the following manner:

"Said consumer shall be paid therefor by receiving, until said purchase price is fully paid, a credit on the consumer's account with the company equal to or not less than 10 per cent of the amount payable each month by the consumer for electric service from the company, * * *."

The method outlined in this rule resulted in much complaint from the consumers. Thereafter, the San Joaquin corporation applied to the Railroad Commission for permission to issue bonds to cover the outright purchase for cash of the transformers owned by its patrons. The Railroad Commission, in its Decision No. 3489, made on July 7, 1916, granted the application (Vol. 10, Opinions and Orders of the Railroad Commission of California, p. 536). At page 542, the commission said:

"Table No. IV includes an item of \$232,000.00 to cover the cost of transformers to be purchased by San Joaquin Light and Power Corporation from its consumers, as directed by the Railroad Commission in said Decision No. 3241. San Joaquin Light and Power Corporation has heretofore undertaken to pay for said transformers by a credit of 10 per cent of the consumers' monthly

bills. The consumers, however, prefer to have San Joaquin Light and Power Corporation purchase the transformers outright, and the corporation desires to be in a position to do so. Some dispute having arisen between the corporation and its consumers with reference to the price to be paid for the transformers, the Railroad Commission recommends that the corporation pay for them outright, the sum to be paid in each instance being the price which San Joaquin Light and Power Corporation would be compelled to pay for the transformer at the present time, new, less depreciation at the rate of 5 per cent per annum."

In carrying out this recommendation, San Joaquin corporation has fixed a base price for transformers equivalent to that at which San Joaquin corporation would have been able to buy them new laid down at their storerooms, either in Bakersfield or Fresno, and from the price so ascertained San Joaquin corporation deducts the value of all oil in the transformers. The price thus determined is then further reduced by deducting depreciation at the rate of 5 per cent for each year during which the individual transformer has been in service. In certain cases where abnormal depreciation has occurred, due to accidents or other causes, an additional deduction has been made therefor. No allowance has been made for the cost of delivering the transformer to the consumer's premises nor for the labor and material of installing the same. In support of this basis of valuation, San Joaquin corporation urges that in the past, even though consumers owned their transformers, it was the practice of the corporation to make regular inspections of them and whenever necessary to replace at its own expense such oil as had been lost through leakage and other causes.

The question of transformer values herein applies primarily to agricultural consumers, since it was a uniform rule that consumers of this class furnish transformer equipment at their own expense. San Joaquin corporation's Exhibit No. 64 in Application No. 1666, shows agricultural consumers distributed in the districts as follows:

TABLE I.
Agricultural Consumers.

District	Number consumers	Percentage of agricultural consumers	Agricultural consumers' connected horsepower	Percentage of total consumers' connected horsepower
Merced	63	8.1	671.5	7.4
Corcoran	159	20.6	1,637.5	18.1
Madera	105	13.6	1,131.0	12.5
Bakersfield	203	26.2	2,871.0	31.8
Taft	2	.2	55.0	.6
Los Banos	18	2.3	617.5	6.8
Selma	22	2.8	150.5	1.7
Dinuba	159	20.6	1,338.0	14.8
Fresno	43	5.6	575.0	6.3
Totals	774	100.0	9,047.0	100.0

San Joaquin corporation's Exhibit No. 1 herein shows the estimate of various district agents as to the amount of oil which has been replaced in consumers' transformers by the corporation in the several operating districts, as follows:

Los Banos	20 per cent
Madera	Small amount
Bakersfield	25 per cent
Other districts	No report

In view of the fact that such oil as was replaced by the San Joaquin corporation was charged to operating expenses and paid for by the consumers through the medium of rates, there appears to be no justification for deducting at this time the cost of oil originally purchased by consumers when transformers were installed, in valuing this equipment for the purpose of purchase.

San Joaquin corporation urges that it should not be required to pay anything for the delivery and installation of these transformers because in many cases they were originally installed at the corporation's expense. District agents of the utility have estimated the proportion of consumers in their respective districts who originally paid for the cost of installation as shown in San Joaquin corporation's Exhibit No. 1 herein as follows:

TABLE II.
Installation of Transformers.

District	Percentage of consumers in district required to pay for installation	Percentage of system agricultural consumers in district	Percentage of agricultural consumers on system required to pay for installation
Los Banos	50 per cent	6.8	3.4
Madera	10 per cent	12.5	1.3
Fresno	Practically none	6.3	.0
Bakersfield	1 per cent	31.8	.3
Selma	No record of any	1.7	.0
Dinuba	85 per cent	14.8	12.6
Merced	Very small	7.4	.0
Corcoran	No report	18.1	No report
Taft	No report	.6	No report
Totals		100.0	17.6

Even if it is assumed that in the districts from which reports were not received, none of the consumers paid for the cost of installation, there are still, on the corporation's own showing, a very considerable proportion of their agricultural consumers who did bear this expense.

It is necessary to establish some definite point from which to start in all cases involving the valuation of property, and, bearing in mind the consumer's right to refuse to sell and to demand that San Joaquin

corporation substitute its own equipment for the consumer's transformers, the basis which appears to be fairest to both parties is that suggested in the aforesaid Decision No. 3489, viz:

"The price which San Joaquin Light and Power Corporation would be compelled to pay for the transformers at the present time, new, less depreciation at the rate of 5 per cent per annum."

In the interpretation of this basis, however, the price should clearly be determined as the cost in place on the consumer's pole and not the cost delivered at the corporation's division storerooms.

An allowance of 5 per cent per annum for depreciation is based upon an assumed average life of such transformers, including those which last longer than 20 years, as well as those which fail earlier, and in valuing this equipment no deductions should be made except, possibly, in exceptional cases, for abnormal depreciation beyond that based on the actual age of the equipment in service.

Inasmuch as the rates established in this commission's Decision No. 3241, effective May 1, 1916, were intended to cover depreciation on all transformer equipment necessary to serve San Joaquin corporation's consumers, no depreciation should be deducted after that date.

The order of this commission requiring the San Joaquin corporation to furnish all necessary transformer equipment became effective on May 1, 1916, San Joaquin corporation's Exhibit No. 1 herein, shows that from May 1, 1916, to February 20, 1917, 1,284 transformers were purchased, or 37.3 per cent of the 3,452 which were owned by consumers on the former date. The commission realizes that considerable clerical work and field inspection is required in handling this transfer. A reasonable time for doing this work has now elapsed and beginning with the effective date of this decision, and thereafter, San Joaquin corporation should pay 6 per cent interest per annum on the value ascertained as herein indicated, of all transformers which are at that time owned by its consumers, and which are then used in connection with service furnished under rates which contemplate the ownership of transformer facilities by the utility.

It is impractical to determine the exact cost of hauling and installation in each individual case, and the transformer values determined herein will include average costs for these items, corresponding to those costs used in the valuation of San Joaquin corporation's property, and considered in connection with the establishment by the commission of the present rates.

Giving due consideration to the contract between San Joaquin Light and Power Corporation and Westinghouse Electric and Manufacturing

Company for the purchase of distribution transformers, I find that the following values are a fair basis upon which San Joaquin corporation should purchase its consumers' transformers of standard types. The only deduction therefrom should be 5 per cent per annum during the period between date of original installation and May 1, 1916. Consumers who have sold their transformers to San Joaquin corporation for a less amount are entitled to a credit in the amount of the difference between the amount received and the values shown in the following table:

TABLE III.
Fair Basic Value for Transformers.

Size K.V.A.	2,300-volt transformers		6,600-volt transformers		11,000-volt transformers	
	Northern division	Southern division	Northern division	Southern division	Northern division	Southern division
1	\$24 06	\$24 81	\$44 42	\$45 99	\$60 49	\$62 21
1½	28 60	29 49	48 50	50 24		
2	32 89	33 94	53 24	55 11		
2½	36 64	36 78	57 96	59 97	91 24	93 09
3	40 60	41 89	60 46	62 58		
4	48 70	50 29	68 15	70 59		
5	56 58	58 40	77 39	80 09	116 30	119 63
7½	73 91	76 31	97 21	102 56	135 46	139 38
10	91 34	94 24	116 61	120 64	150 01	154 36
15	124 80	129 07	154 03	158 19	184 05	189 40
20	153 64	158 89	182 61	188 91	213 06	219 24
25	182 72	188 93	215 04	222 36	246 95	254 07
30	208 96	216 02	242 37	250 70	271 51	279 36
37½	245 24	253 52	278 58	287 77	311 59	320 61
50	303 81	314 00	345 16	357 01	370 35	380 97
75					467 02	480 29
100					544 54	560 07

2. *Types of transformers considered below-standard and prices offered for same.*

The evidence in regard to the experience of San Joaquin corporation with the operation of transformers of the various types of manufacture which were in service on its system during the years 1914 and 1915, indicates that there has been a variation in the number of transformer failures proportional to the total number of transformers of each type in service as listed in the following table:

TABLE IV.
Transformer Failures.

Manufacturer	Number of transformers installed		Number of failures		Average percentage of failures, 1914 and 1915, per cent
	1914	1915	1914	1915	
General Electric	1,747	1,873	95	34	3.61
Westinghouse	2,844	3,315	153	78	3.75
Crocker-Wheeler	63	99	7	4	7.57
Maloney	141	308	20	10	8.72
Allis-Chalmers	73	75	25	12	21.1
Wagner	8	11			.0

Because of the characteristics of insulation and design of the transformers listed in Table IV and because of the indicated performance of the different types, San Joaquin corporation has accepted the cost and performance of General Electric and Westinghouse equipment as standard, and has been offering consumers 100 per cent of the base value for transformers of these types, less normal depreciation based on age. For other classes of equipment San Joaquin corporation has established a basis of further or additional depreciation on the ground that these other types of transformers are not properly designed for satisfactory operation under the conditions existing on its system. It is claimed that if they are required to pay more for these transformers, the company would be justified in substituting standard equipment of its own, leaving the consumer to make such disposition of his transformer as he might see fit.

San Joaquin corporation proposes to pay consumers who own transformers of these types, which have been classed by the company as below-standard, the following percentages of the cost of standard equipment:

Maloney transformers	60 per cent
Crocker-Wheeler transformers	45 per cent
Allis-Chalmers transformers	20 per cent
Wagner transformers	60 per cent

The principal cause of the unsatisfactory performance of certain types of transformers appears to be more a matter of misapplication rather than faulty construction of the transformer units, that is to say, transformers which were designed to operate properly on a 6,600-volt, single-phase or delta system, were installed by San Joaquin corporation upon a 10,000-volt grounded star system. The evidence shows that the manufacturers of each of these so-called substandard types of equipment have since placed on the market transformers designed for operation on a system of this nature. These later types have been found to be entirely satisfactory, and in fact San Joaquin corporation's recent purchases include new equipment manufactured by these same companies.

Undoubtedly some of these transformers have been made to operate satisfactorily as indicated by the fact that the transformer failures in 1915 decreased 60½ per cent as compared with those during 1914. This improvement in service performance is undoubtedly due in part to repairs and the reinsulation of transformers and in part to the elimination of ground wires, and other alterations, and general improvements in the system.

Inasmuch as the so-called substandard equipment on the lines of the San Joaquin corporation increased almost 73 per cent from 1914 to

1915, it can not reasonably be contended that the utility has made an effort to discourage the use by its consumers of certain types of transformers. Failure on the part of the utility to require certain standards of equipment to be operated as part of its system must be considered as, at least, tacit approval of such equipment and hence it would not be reasonable for the utility to later discriminate against certain makes of transformers because of a more or less arbitrary standard which has since been adopted.

It must be admitted that some of the earlier types of transformers were not suitable for operation on the 10-kilovolt lines of San Joaquin corporation, and it is not considered proper or to the best interests of the patrons of that utility to require the purchase by it of equipment essentially unsuitable or unsatisfactory from an operating standpoint. There is, however, no reason to assume that transformers installed by consumers of San Joaquin corporation since January 1, 1915, should not all be classed as standard equipment for the purpose of arriving at an equitable purchase price.

In view of the facts herein related it is considered just and proper for San Joaquin corporation to acquire the transformers heretofore owned by its consumers on the basis set forth in the following table:

TABLE V.

Basis for Arriving at the Fair Value of Consumers' Transformers for Use On Ten Kilovolt Lines.

Make of transformer	Transformers Installed prior to January 1, 1915, per cent	Transformers installed subsequent to December 31, 1914, per cent	All transformers other than those for use on 10 kilovolt lines, per cent
General Electric	100	100	100
Westinghouse	100	100	100
Wagner	100	100	100
Maloney	70	100	100
Crocker-Wheeler	57½	100	100
Allis-Chalmers	37½	100	100

In particular cases where either the utility or the consumers owning transformers believe that an undue hardship will result from the application of the basis of valuation indicated in Table V the matter should be referred to the commission for final action. It should be further pointed out that any consumer who does not consider the prices herein established to be satisfactory, has the right to dispose of his transformers in any other manner in which he sees fit, whereupon San Joaquin corporation will substitute its own equipment.

One consumer, Mr. John J. Peters, testified that in 1915 he had made arrangements to purchase equipment for a 5-horsepower installation, including a three-phase motor and Westinghouse transformers.

San Joaquin corporation at that time refused to supply a plant of this size with three-phase service and this action on the part of the company required Mr. Peters to cancel his order for motor and transformers. The only single phase, 5-horsepower motor upon which Mr. Peters was then able to obtain delivery was one manufactured by the Wagner Electric Company. He proceeded to purchase this, together with a Wagner transformer for the service of the same, at an increased cost to him of \$36.00, and with the full knowledge and acquiescence of the agents of the San Joaquin corporation. Mr. E. B. Walthall testified that in April, 1916, San Joaquin corporation first filed its rule providing that motors of 5-horsepower capacity and less must be single phase, although it was the practice of the company to enforce this requirement more or less rigidly prior to that time. In view of these circumstances and of the fact that this transformer was installed subsequent to January 1, 1915, the San Joaquin corporation should purchase this transformer as standard equipment.

3. Purchase of transformers previously replaced by San Joaquin corporation.

Mrs. Louise D. Tennant, a witness who testified at the Fresno hearing, stated that on July 7, 1913, she had purchased and installed upon her ranch near Corcoran, three 10-kilowatt Maloney transformers, and about one month later, during an electrical storm, these were all destroyed. San Joaquin corporation not being able to trace the failure of this equipment to any fault of the consumer, replaced the same at its own expense, installing Westinghouse transformers for this purpose. The testimony of the officers of San Joaquin corporation shows that transformers so destroyed were usually removed by the company and disposed of as junk. The money realized from such sale was not turned over to the original owner of the equipment which was destroyed. San Joaquin corporation now proposes to purchase Mrs. Tennant's transformers, paying for them the reduced price which would be offered were the original Maloney transformers now in service.

San Joaquin corporation substituted the Westinghouse transformers for the Maloney transformers which were originally furnished by the consumer, and which had been destroyed through accident due to inherent conditions in the operation of the corporation's electric system. The ownership of the new transformers then passed to the consumer and San Joaquin corporation assumed the ownership of the old transformers and proceeded to dispose of the same, retaining the remuneration received therefor. In view of the facts as stated, it appears that Mrs. Tennant now owns three Westinghouse transformers and that the same should be purchased from her by the San Joaquin corporation at the price paid to other consumers for similar equipment.

Mr. C. L. Ripperdan, another witness, presented a precisely similar complaint, except that the transformers which he originally installed were of the Allis-Chalmers type, and only two of these were later destroyed and replaced by San Joaquin corporation with Westinghouse equipment. These two transformers should be purchased by San Joaquin corporation in accordance with prices paid for standard Westinghouse equipment.

If there are other similar instances which were not brought to the commission's attention, they should, of course, be handled in the same manner.

II.

Minimum Guaranty for Domestic Service from Rural Distributing Lines.

In said Decision No. 3241, the presiding commissioner, at page 620, said:

"After careful examination of the evidence herein, I have reached the conclusion that a reasonable minimum for residence lighting service charged by San Joaquin corporation is 75 cents per meter per month."

It appears that San Joaquin corporation has proceeded to charge such a minimum for residence lighting in all of the towns and cities which it serves. In rural territory, however, where it is necessary in most instances to install a transformer for each individual consumer, the cost of such installation is greater than San Joaquin corporation considers justified by a revenue of only 75 cents per month. Accordingly on July 5, 1916, San Joaquin corporation filed its Rule No. 48, providing in part that,

"If an applicant, who is legally entitled to receive service and whose premises upon which such service is desired are located in unincorporated territory and along an existing distributing main of the company, makes application, as outlined in the company's rules and regulations, for service for small power and lighting purposes and executes a three-year contract, the company will install a service connection from its distributing main to the first point of support on the premises, as selected by the company, and install the necessary transforming capacity and supply thereat its electric service at 110 volts or 220 volts; * * * provided, however, that the monthly minimum bill for such service shall be as follows:

\$2.50 per consumer, if a 2½-kilowatt transformer is used and one consumer served therefrom.

\$2.25 per consumer, if a 2½-kilowatt transformers is used and two consumers are served therefrom.

\$2.00 per consumer, if a 2½-kilowatt transformers is used and three consumers are served therefrom.

\$2.75 per consumer, if a 5-kilowatt transformer is used and one consumer is served therefrom.

\$2.20 per consumer, if a 5-kilowatt transformer is used and two consumers are served therefrom.

\$2.00 per consumer, if a 5-kilowatt transformer is used and three consumers are served therefrom."

In any application of this rule it should be clearly understood that the minimum guaranty so provided does not supersede or invalidate the 75 cent minimum charge provided by the commission for residence lighting service, but is simply intended to provide that San Joaquin corporation will not extend its service under the conditions outlined in the rule unless the total revenue shall equal that set forth in the rule. This use may be made up of a combination of residence lighting, cooking, heating and domestic motors or other uses.

It appears that San Joaquin corporation, in attempting to carry out the order of the commission, has offered to purchase transformers used to serve consumers with residence lighting in rural territory, only upon condition that the minimum guaranty provided in the aforesaid Rule No. 48 shall then apply to their service.

All of the existing consumers on May 1, 1916, together with the average cost of serving them, were considered by the commission in fixing the rates then established, and it was intended to provide that all residence lighting consumers then in existence should be granted the 75 cent minimum rate, and that all transformers then owned by the consumers of the San Joaquin corporation should be acquired by it.

Sufficient time has not elapsed for an adequate observation of the effect of the rates established by the commission for the San Joaquin corporation to warrant, at the present time, any disturbance of the minimum rate therein provided. However, there can be no question but that a 75 cent minimum is proper in such centers of population as Fresno and Bakersfield. Whether a somewhat higher minimum charge would be proper in the smaller communities with a still higher minimum charge under such conditions as those referred to in the aforesaid Rule No. 48 are matters which can better be determined after a fuller presentation of the facts than has heretofore been possible.

In view of the present high prices of transformers and copper wire, and the difficulty of obtaining deliveries at any price, together with the inadequate information now available, San Joaquin corporation will be permitted, in connection with service extensions hereafter to be made, to proceed for the present in accordance with said Rule No. 48. San Joaquin corporation should, however, at once take steps to purchase the transformers, owned by consumers of this class, which were installed on its lines on May 1, 1916, at the same time granting to such consumers the benefits of the standard rates without increased guaranties.

The attention of the commission has been drawn to certain changes which have recently been made in the voltage delivered in the Selma and Kingsburg districts. It appears that in order to increase the capacity of the lines in these particular localities, San Joaquin corporation has increased the nominal operating voltage from 4,000 to 11,000 volts, which necessitates changing all 2,300-volt transformers to others which will operate on the higher voltage circuits. The transformers, which were owned by the consumers in these districts on May 1, 1916, and which San Joaquin corporation was then required to purchase, were the 2,300-volt transformers then in service, and such of these as have not already been taken over should be acquired by San Joaquin corporation.

Any expense connected with the subsequent change in voltage should be borne by San Joaquin corporation and charged to the increased capacity required to serve the additional business which made such change necessary.

III.

Service Extensions.

The commission has not yet found it feasible to establish a general rule defining free limits for service extensions in unincorporated territory. While it is naturally the desire of the commission that a utility be as liberal as possible in the construction of extensions, consideration must also be given to the utility's financial condition and to the rights of existing consumers.

Two complaints with reference to service extensions were brought to the attention of the commission in this proceeding.

Mr. S. S. Judd, who resides in unincorporated territory near the town of Del Rey, testified on behalf of himself and three neighbors, Mr. Hans Hansen, Mr. Harry Joleumsen, and Mr. B. M. Lauritsen. These complainants are located on four small ranches adjacent to each other, the farthest of which is 2,640 feet from the nearest existing 10,000-volt line of the San Joaquin corporation, and somewhat less than this distance from the nearest secondary line which serves the town of Del Rey. The evidence shows that all of these parties have made application to the San Joaquin corporation for electric service for lighting and domestic power purposes.

Under date of December 6, 1916, Mr. M. E. Newlin, district agent for San Joaquin corporation, wrote to Mr. Judd stating that the corporation would extend its lines in order to furnish the desired service, providing that the entire expense of the same should be borne by the prospective consumers. San Joaquin corporation stated that it would furnish the transformer and the meters at its own expense, and estimated the total

cost of the line extension, exclusive of the transformer and meters and the labor of installing the same at \$555.80.

In regard to extensions in unincorporated territory, this commission, in its Decision No. 2879 in Case No. 683 (Vol. 8, Opinions and Orders of the Railroad Commission, p. 372) adopted the following rule:

“A water, gas, electric or telephone utility shall make such reasonable extensions in unincorporated territory at its own expense, as it can agree upon with the applicant for service; provided, that in any case in which the construction of an extension at the utility's sole expense will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the commission as provided by section 36 of the Public Utilities Act, unless satisfactorily adjusted by an informal application to the commission.”

It appears in this instance that the total cost of serving these four consumers, including transformers, meters and all necessary equipment and labor, will amount to \$757.17. I find that the increase in actual annual expense to San Joaquin corporation which would be created by making the service extension as requested, not including any item of profit, will be covered by an aggregate annual gross revenue of \$132.00, which is equivalent to \$2.75 per month for each of the four consumers. The commission has frequently drawn attention to the fact that it is unreasonable for utilities to urge that each extension constructed at their cost must be profitable in itself, and inasmuch as such a policy would lead to grave results in thwarting the development of this state, such a contention can not be sanctioned by the commission. Mr. Judd has informally indicated his willingness and that of the other three interested parties to guarantee such a minimum of \$2.75 per month, and under the circumstances San Joaquin corporation should proceed to furnish this extension at its own expense as soon as each of these prospective consumers have signed a three-year contract guaranteeing such a minimum revenue. The question as to whether this special guaranty should be continued in force at the end of the initial three-year period may be left open for consideration at that time.

Mr. Edwin M. Einstein testified on behalf of the Central California Land and Improvement Company in regard to an extension of service to the La Sierra Tract, a new subdivision which was recently opened up by that company. It appears that a considerable portion of the tract lies within the incorporated limits of the city of Fresno and that all electric distributing lines, which have up to the present time been constructed for its service, are within the city limits. Under date of March 17, 1916, this complainant, under protest, entered into a contract with San Joaquin corporation providing that the utility's lines should be extended to serve certain specified blocks within the tract.

The total cost of such extension was to be paid for by the Central California Land and Improvement Company, and the entire gross receipts from such consumers as were served from this extension were to be turned over to the Central California Land and Improvement Company for a period of three years, provided that the aggregate of such gross revenue should not exceed the original cost of the lines within that period of time. This contract, together with certain correspondence regarding the same, is on file as Consumers' Exhibit No. 2 herein. Central California Land and Improvement Company's letter under date of March 16, 1916, transmitting the signed copy of the contract to the San Joaquin corporation, states in part:

"Accordingly we have signed an agreement, which you will find enclosed, in which we agreed to pay \$702.33, the cost of installing certain lines described in the agreement, with the provision that it shall be left to the Railroad Commission of California to determine whether we shall be restricted to the period ending July 1, 1919, in receiving such revenue until fully reimbursed for the \$702.33 spent."

In Decision No. 2879 in Case No. 683, *supra*, this commission established the following rule:

"Except in the case of extensions in unincorporated territory, which matter is left open for consideration in subsequent proceedings, and of extensions in incorporated territory in cases in which the commission may hereafter authorize the signing of contracts for service, a water, gas, electric or telephone utility may not require that an applicant sign a contract for service as a condition precedent to service; provided, that such utility may require that reasonable written application for service be made."

Inasmuch as the lines involved in the present controversy and covered by the specific contract in question are within incorporated territory, and inasmuch as in this particular case the commission was not requested to authorize the signing of a contract for service, nor did it grant such authority, it can not reasonably be urged that San Joaquin corporation was justified in requiring this contract and the same should be cancelled.

Rule No. 15 in said Decision No. 2879, deals with the question of extension of service in incorporated territory, and is as follows:

"A water, gas, electric or telephone utility which operates under a general franchise authorizing the occupancy of all the streets of a municipality shall make, at its own expense, such street extensions as may be necessary to serve applicants; provided, that in any case in which the construction of an extension at the utility's sole cost will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the commission as provided by section 36 of the Public Utilities Act, unless satisfactorily adjusted by an informal application to the commission."

Inasmuch as the portion of this tract which is within the incorporated limits of Fresno is adjacent to a thickly populated portion of the city, and the prospects for future development of this territory are good, I can not find that an undue hardship will be worked upon San Joaquin corporation by extending its lines at its own expense to bona fide consumers within the portion of this tract which is situated within the corporate limits of the city.

IV.

Selection of the Proper Schedule in Changing from the Old to the New System of Rates.

The rates established by the commission to become effective on San Joaquin corporation's system on May 1, 1916, were in many respects of an entirely different form from those which were formerly charged. Some difficulty has been experienced in a few instances as to the selection of the proper schedule to which consumers should have been transferred in establishing the new rates. This is especially true in regard to such consumers as were entitled to one of several optional schedules. Three such cases were brought to the commission's attention at the hearings herein, and will be dealt with individually.

Mr. Ti Woo operates under lease a small ranch near Bakersfield, making use of a 5-horsepower motor to pump water for the irrigation of garden truck. Under the old rates, this consumer was on the \$50.00 per-horsepower-per-year flat rate schedule, paying a monthly bill of \$23.15, which corresponds to a demand test of 5.56 horsepower.

Immediately after the commission's decision became effective, San Joaquin corporation printed its new rates, rules and regulations in pamphlet form and mailed a copy to each of its consumers, and advised that if they were entitled to any optional schedules the same would be granted upon the consumer's request to the San Joaquin corporation. In the meantime, in order not to delay the rendition of the regular monthly statements, the corporation billed each consumer upon the rate which it considered to be the nearest in form to that under which such consumer was formerly operating. Consumers on the old \$50.00 per-horsepower-per-year flat rate were transferred to the 12-month seasonal rate under Schedule No. 4, at \$42.50 per horsepower per year. Pending the consumer's application for a demand meter or the corporation's installation of the same at its own option, all bills were based upon the rated installed capacity of the consumer's plant. This appears under the circumstances to have been a reasonable method of procedure on the part of the San Joaquin corporation and even though certain consumers might not have received at once the benefit of the most advantageous rate provided in the new schedules, I do not believe that it is necessary to go back at this time and readjust these accounts,

particularly where the consumer did not suffer an increase over the rates formerly in effect.

In Mr. Ti Woo's case the application of the new schedule selected for him by San Joaquin corporation resulted in a monthly payment of \$18.19, as compared to his former monthly bill of \$23.17. His contention is that the demand and energy form of rate provided in the new Schedule No. 6 would be still more advantageous under his operating conditions, and asks to have his account adjusted accordingly, back to May 1, 1916.

It appears that this complainant does not own the ranch upon which the service is granted, but rents the same from Mr. H. J. Brandt, in whose name the power account is carried, and therefore the new schedules and notification regarding them were sent to Mr. Brandt who neglected to notify his tenant in regard to his rights as to the selection of rates, and made no request to the San Joaquin corporation for any other schedule than that under which his service was automatically placed. I can not find, therefore, that San Joaquin corporation has acted in error in this matter, nor that any readjustment of this account is justified. It is suggested, however, that the Brandt contract be cancelled and that a new agreement be entered into with the tenant as is frequently done in such cases, at a rate which will meet the actual conditions under which he requires electric service.

Mr. E. J. Martin, testifying on behalf of the firm of Martin & Snuffer, stated that this firm installed a cannery in Bakersfield on August 1, 1916, and that for approximately one month prior to that date negotiations had been carried on with San Joaquin corporation concerning a rate for electric energy to operate a motor in this cannery. Mr. Martin, or his associates, were advised that Schedule No. 8 would apply and that the minimum monthly charge would be \$1.00 per horsepower, regardless of the length of their season. Relying upon this advice, the consumer decided to install a 5-horsepower electric motor and proceeded to operate the plant for a period of three months. During this time the bills averaged from \$6.00 to \$7.00 per month. At the close of the season the cannery was shut down and the service was ordered discontinued. In the meantime the subject of proper minimum charges for short seasonal industrial business was taken up informally by San Joaquin corporation with the commission, and, in view of the fact that such business is more expensive to serve than that which is continuous throughout the year, the utility was advised that it might file a rule providing that industrial consumers, operating during seasons of less than 12 months under Schedules No. 8 and

No. 9, should be required to guarantee a seasonal minimum revenue equivalent to the demand portion of Schedule No. 6*b*, being as follows:

Each month of a 3-months' period, \$3.25 per horsepower, connected.
Each month of a 4-months' period, \$1.95 per horsepower, connected.
Each month of a 5-months' period, \$1.70 per horsepower, connected.
Each month of a 6-months' period, \$1.55 per horsepower, connected.
Each month of a 7-months' period, \$1.40 per horsepower, connected.
Each month of a 8-months' period, \$1.30 per horsepower, connected.
Each month of a 9-months' period, \$1.20 per horsepower, connected.
Each month of a 10-months' period, \$1.10 per horsepower, connected.
Each month of a 11-months' period, \$1.05 per horsepower, connected.

In pursuance of this plan, at the end of this complainant's canning season, San Joaquin corporation rendered a bill for the difference between the energy actually consumed and the seasonal minimum of \$9.75 per horsepower, the difference in this case amounting to approximately \$27.00.

The witness stated that had his firm been aware that such a minimum would be charged, it would not have installed electric power in this plant. Since this rule was made during the same period that this complainant was negotiating with San Joaquin corporation, and since the consumer was not notified of the change until after the close of his season some three months later, I believe this complaint should be considered as a special case brought about by the difficulties of changing over the entire system of rates for this corporation, and that in view of the facts, Martin & Snuffer should be charged only the \$1.00 per horsepower per month minimum during their 1916 season in accordance with their original understanding. It will be necessary, however, to charge the regular rates on file for any further service.

Dr. C. W. Kellogg testified that he operates a 10-horsepower motor upon which the old demand test showed the load to be 8.44 horsepower, and that he was formerly on the daylight schedule at \$36.00 per horsepower per year, and that the new schedule upon which he was placed by the San Joaquin corporation resulted, during the first few months at least, in an increase in his rates.

The evidence shows that the plan adopted by San Joaquin corporation was to transfer all consumers formerly on the \$36.00 daylight rate to Schedule No. 6*a*, being the demand and energy form of rate established by the commission. A study of Dr. Kellogg's load and consumption for the past five years, which is set forth in San Joaquin corporation's Exhibit No. 4 herein, indicates that had this consumer been billed for the past five years in accordance with Schedule No. 6*a*, he would have paid \$1,405.09 as compared to \$1,487.33, which he actually did pay for this service. Considering the past three years only, during which his actual operation of the plant has materially decreased, he would have

paid \$813.97, as compared to the \$906.23 which he actually did pay. This appears to clearly indicate that the new schedules did not work any hardship in Dr. Kellogg's case.

It appears that Dr. Kellogg was advised by San Joaquin corporation that the 12-months' seasonal rate would probably be best under his operating conditions. Making a study, however, of his consumption during the last three years, it is evident that 12-months' operation under Schedule No. 6a would have cost him \$813.97, whereas had the service been taken for an 8-months' season under Schedule No. 6a, combined with the application of Rule No. 47 to the other four months of the year for domestic use, the same would have cost \$766.72, indicating that the shorter season would be somewhat more advantageous than the schedule under which complainant is now operating. The difference would, of course, be materially reduced if a more continuous use of the plant were required during the off seasonal period.

V.

Effect of the Use of Maximum Demand Meters.

1. *Adjustment on the 91 per cent demand factor basis and the effect of abnormal demands.*

Rate Schedules No. 4 and No. 5 of the San Joaquin corporation's rates, as fixed by this commission, contain the following clause:

"The above flat rates are based upon the connected load in motors or other utilization equipment which can be connected at any one time to the company's supply system. Under normal conditions meters will not be installed by the company on strictly flat rate business, but at the consumer's request demand indicating and watt hour meters will be supplied at a charge of \$7.50 per year or fraction thereof, and the flat rate charges per horsepower of connected load will be readjusted on the basis of 94 per cent demand factor."

Schedule No. 6 contains a similar clause, worded as follows:

"The demand charges under this schedule are based on the connected load in motors or other utilization equipment which can be connected at any one time to the company's supply system, and the meters regularly supplied are of the recording watt hour type. At the consumer's request, however, the company will furnish and install demand indicating instruments at a rate of \$3.00 per year or fraction thereof, and base the demand charge upon the measured monthly maximum demand, in which case the demand charges will be readjusted on the basis of 94 per cent demand factor."

These are schedules of rates which apply only to agricultural service and under which most of the agricultural business of San Joaquin corporation is now being served.

The language of this provision with reference to readjustment on the basis of 94 per cent demand factor has proved to be very difficult of interpretation by the average consumer unversed in the technical terms. Its intent and meaning may be somewhat clarified by a brief explanation.

A study of all of the agricultural pumping installations on San Joaquin corporation's system in 1915, shows an average ratio of 94 per cent between the aggregate of their measured maximum demands, as determined by the utility's former method of testing, and the total rated capacity of all of the motors.

In order that San Joaquin corporation might realize the revenue to which it was assumed to be entitled, certain rates per horsepower of connected load were established. These rates are set forth in Schedules No. 4, No. 5 and No. 6. It was realized, however, that such rates would not be fair in every individual case because of the fact that the demands created by the operations of certain installations are considerably lower than the average. And vice versa when the demand created by the operation of any motor is in excess of its rated capacity, a rate based upon the latter would be unfair to the utility.

To take care of these various conditions, the commission made the provision, as quoted above, for the payment upon the measured maximum demand basis in such cases rather than upon the rated capacity of the motor. It is obvious that if the same rates based upon the installed capacity were made to apply also to a measured maximum demand, which on the average was known to be only 94 per cent of the rated capacity, the result would be a reduction in rates not contemplated in the commission's order. It was thought to be necessary, therefore, to provide that when the actual demands are to be used as a basis of rates, the charges then applicable should be increased by the ratio of 100 to 94, or in other words, "readjusted on the basis of 94 per cent demand factor."

At the time these rates, herein referred to, were established, the only available information concerning consumers' demands, was the record of results of maximum demand tests taken approximately once each year under the company's former methods of testing, by which method the demands were presumably ascertained under running conditions after the plants had been in operation for a considerable period of time. Material objection to this method of testing was made by consumers at the time of the former proceedings, on the ground that taking such tests only once a year resulted in a hardship arising from the fact that the consumer's demand varied from month to month, and was often considerably less than the demand ascertained at the time of the annual test. The commission, finding merit in these objections on the part of

the consumers, endeavored to relieve the situation by providing for the installation of demand meters which would register the maximum demand created on any plant during each month, so that the consumer would not be penalized for an entire year on account of demands created during the most unfavorable season, the function of the demand meter being to register each month the maximum average load during any 15-minute interval.

In connection with the proceeding herein, many complaints have been received to the effect that the monthly measured maximum demand also results in a hardship to the consumer, due to the fact that any abnormal load for a period of 15 minutes determines his charges for the entire month. In order to ascertain the magnitude of this difficulty, the commission's gas and electric department conducted tests on a number of plants in the McFarland district to determine the relation between the starting load created by a centrifugal pump and the normal load under running conditions. The results of these tests are shown in the commission's Exhibit No. 2 herein. The average of six plants tested shows the load to have been 14.7 per cent higher during the first 15 minutes of operation than under running conditions several hours later. The maximum difference shown by any of these tests on a single plant was 19.2 per cent and the minimum 3.9 per cent.

San Joaquin corporation had similar tests made on 24 plants on its system, the results of which are shown in its exhibit No. 12 herein, and are summarized in the following table:

TABLE VI.
Tests to Determine Relation Between Starting and Running Loads on Pumping Plants.

Number of plants tested	District	Ratio of load during first 15 minutes to load under running conditions		
		Average of group	Maximum plant in group	Minimum plant in group
		Per cent	Per cent	Per cent
8	McFarland -----	112.5	117.3	103.4
8	Coreoran -----	107.9	131	101
8	Madera -----	104.5	113	97.4
24	Above three districts -----	108.8	136	97.4

Up to the present time San Joaquin corporation has actually installed comparatively few demand meters on pumping plants of its agricultural consumers, so that no conclusive data is yet obtainable which will indicate the actual relation of demands recorded by the demand meters under operating conditions to the demands as formerly determined by tests.

The inherent operating characteristics of the centrifugal pump are such that as the head against which it lifts the water is decreased, the amount of water lifted is increased, the net result being an increase in the load. When a pump of this type is shut down for any material time, the water in the well raises and when the pump is started it will deliver an abnormally large volume of water until the water level again becomes normal. An abnormal load is thus created for a brief period immediately after the pump is started, and a portion at least of this excess load is recorded by a maximum demand meter.

Direct acting or plunger pumps used in connection with the operation of deep wells are not affected by changes in water level as are centrifugal pumps for the reason that the direct acting pump discharges the same amount of water regardless of the head against which it operates, the load increasing as the head increases. For the reason stated, the demand created by direct acting pumps under running conditions is usually greater than that shown during the starting period. It is, however, necessary at intervals to repack plunger pumps and thereby to create a somewhat abnormal load for short periods, which excess load will be reflected, to some extent, in the reading of the demand meter.

A study of the results of the tests above referred to clearly indicates that the demand factor of 94 per cent, derived from a consideration of the average of the former tests, is not correct when applied to records of demand indicating meters set for a time interval of 15 minutes. Due to the difficulty in obtaining these meters, together with the reluctance on the part of consumers to request their installation, sufficient information is not as yet available which will accurately indicate the true average demand factor of agricultural pumping installations. The evidence at hand is sufficient, however, to indicate that the readjustment on the basis of a 94 per cent demand factor is not warranted in connection with the use of demand meters, and the same will be discontinued by the order herein.

San Joaquin corporation has apparently discouraged the use of demand meters by its consumers on the ground that the abnormal conditions referred to above would result in many instances in higher loads recorded by such meters than the rated capacity of the plants, even where the former tests were considerably less than the connected load. The results of this policy are indicated by the fact that up to March 10, 1917, only 83 requests have been received by San Joaquin corporation from its agricultural consumers for the installation of demand meters.

A study of all agricultural consumers which were on the San Joaquin corporation's system during the year 1915, shows the ratio of the tests made prior to May 1, 1916, to the rated capacity of the motors to be as follows:

TABLE VII.

Agricultural Load Classified as to Demand Factors.

A

3.2 per cent of horsepower connected, below	50 per cent demand factor.
7.8 per cent of horsepower connected, below	60 per cent demand factor.
13.5 per cent of horsepower connected, below	70 per cent demand factor.
28.6 per cent of horsepower connected, below	80 per cent demand factor.
49.5 per cent of horsepower connected, below	90 per cent demand factor.
72.2 per cent of horsepower connected, below	100 per cent demand factor.

B

18.3 per cent of horsepower connected, between 100 and 110 per cent demand factor.
6.2 per cent of horsepower connected, between 110 and 120 per cent demand factor.
2.4 per cent of horsepower connected, between 120 and 130 per cent demand factor.
.9 per cent of horsepower connected, between 130 and 172 per cent demand factor.

There can be but very few of the agricultural installations, represented by the 28.6 per cent of the horsepower connected, where the previously ascertained demands were less than 80 per cent of the rated capacity, which would not benefit by the installation of a demand meter, and there is no question but that many of the 20.1 per cent where the demand factor was between 80 and 90 per cent, and some of the 22.7 per cent where the demand factor was between 90 and 100 per cent would also benefit by its use.

San Joaquin corporation maintains kilowatt hour meters on the plants of all of its agricultural consumers, and it should, by every reasonable means, advise its consumers as to the method of determining, by revolution tests taken on these meters, the load on their plants at starting and also under normal conditions, so that these consumers can determine for themselves whether it would be better to apply for the installation of a demand meter or to continue to pay on the rated capacity of their motors.

In considering the advisability of making request for this demand meter, consumers should also bear in mind that a high demand affects only the rates to be paid for the one month during which the demand is created. An examination of the readings of the demand meters on the Mount Whitney Power and Electric Company's system, referred to above, indicates a considerable variation from month to month, and in the cases where the meters have been in service for five months, the

average of the five readings shown was in many instances lower than the single annual test formerly taken on the same plant. These averages were taken into account in the above calculations.

2. Time interval.

It has been suggested that further relief from the objectionable characteristics of demand meter readings might be obtained by increasing the time interval from 15 minutes to one hour. The 15-minute period tests taken on the San Joaquin corporation's system indicate that such a change would, on the average, materially reduce the revenue from agricultural and possibly from other classes of consumers.

The fundamental objection which consumers urge in this regard is that they should not be required to pay for an entire month upon the basis of a high load which continues for possibly only one or two 15-minute periods during that month. A change to a one-hour period would be equally susceptible to the objection that bills for an entire month should not be based upon high loads which continue for only one or two periods of one hour each during the month. It is obvious that as long as the unit charge is proper, and the operation of demand meters is uniform as between consumers, this objection is of little real importance, the consumer's chief concern being the cost per acre-foot of water rather than the form of rate. Owing to the fact that sufficient time has not as yet elapsed for a fair trial of the unit charges now in effect, I am of the opinion that no change should be made at the present time, either in the time interval or the rate per horsepower.

In many instances, the consumer will be able, with a little care, to control or entirely eliminate all abnormal demands so that no material increase in the monthly charges will result.

For instance, in starting a centrifugal pump, if a valve is installed either in the intake or in the discharge pipe whereby the quantity of water pumped can be reduced during the starting period, the valve being gradually opened as the head on the well is reduced, the load can be prevented from exceeding that under normal running conditions.

The principal cause of high demands in connection with plunger pumps is their use for filling domestic tanks, which are at a higher level than that of the discharge for irrigating purposes. The time required to fill such tanks is, however, in general not greatly in excess of 15 minutes. This matter is receiving the careful consideration of the commission, but at the present time there appears no adequate relief for the difficulty. Tank pumping with an irrigation pump is an unsatisfactory load from the utility's point of view, and is not

economical for the consumer. However, it is to be hoped that the difficulties of this situation can be met either by the installation of a small house pump by the consumer, or otherwise that the over-all cost of agricultural service may be reduced to as low a point as possible.

3. Determination of demand when meters are not available.

San Joaquin corporation has the option of installing demand meters at its own expense in cases where the actual load is materially in excess of the rated capacity. An analysis of the agricultural installations on this system during the year 1915, indicates that 27.8 per cent of the connected horsepower creates demands in excess of the rated capacity. Due to the difficulty of obtaining meters of the demand type under present market conditions, San Joaquin corporation has been unable to exercise its option in this regard. It is not reasonable that San Joaquin corporation should be deprived of revenue to which it is entitled in these cases, on account of impossibility of securing meters, due to market conditions over which it has no control.

If San Joaquin corporation makes tests under normal running conditions at the present time, and finds in any case that the demand factor is in excess of 100 per cent, and if in each such case it files with this commission notice of its intention to install a demand meter as soon as the same is available, and at the same time serves a similar notice upon the consumer advising him that until such meter is installed he has the right to demand a new test not oftener than once in three months without expense to himself, San Joaquin corporation should be permitted, beginning with the date upon which such notice is filed, to charge such consumer on the basis of the last demand test on record until the meter is actually installed, or until a new test is taken. The present rule, which has been established informally, should continue, to the effect that in any case where a consumer whose demand factor is lower than 100 per cent has requested and paid the fee for a demand meter, and where such a meter is not available, San Joaquin corporation shall charge consumer for electric service on the last demand test on record, provided that either the consumer or the utility may require a new test at any time. To this rule should be added the provision that consumers of this class requiring tests oftener than once in two months shall bear the actual expense of the same.

4. Demand charge for pit lights.

Complaint has been made by a number of consumers against the practice of the San Joaquin corporation in adding .16 horsepower to the rated capacity of the consumer's motor in determining his connected load for billing purposes. This is to cover the two lights

which are ordinarily used in the pump house and pit. The flat rates or demand charges established by the commission were:

“Based upon the connected load in motors or other utilization equipment which can be connected at any one time to the company's supply system.”

There can be no question but what electric lamps must be considered as utilization equipment, and where a demand meter is installed these lamps should, of course, be so connected that their load, as well as that of the motor would be recorded by such meter. Inasmuch as incandescent lamps in the pump house can be and are operated at the same time the motor is operating, it is proper that the amount of power they require should be added to the capacity of the motor. The .16 of a horsepower which San Joaquin corporation has assumed to be average, and for which they charge each consumer, is practically equivalent to two 60-watt lamps, or the equivalent of two of the now obsolete type of 16-candlepower carbon filament lamps. In most instances two 25-watt, or even 20-watt, tungsten lamps would fully serve the consumer's purpose, and where these are in use the corporation should not charge for more than the actual wattage of the lamps in use.

VI.

Seasonal Service.

1. *Determination of date upon which season shall start.*

One of the greatest advantages which the agricultural consumer has realized through the commission's revision of San Joaquin corporation's rates, is the flexible system established which permits the consumer to make use of service for the season during which it is actually required. Many contracts have been signed for seasonal periods of less than 12 months per year.

The commission has heretofore indicated that San Joaquin corporation is entitled to require contracts for a term of 3 years in the first instance in connection with agricultural service and some other classes of service, and in considering the justification for extending its service to new consumers, the length of the season for which service is desired is probably the most important factor. It is entirely reasonable, therefore, that the prospective consumer should be required to contract for a definite length of season during each year of the life of such contract. It is clearly unreasonable, however, that the consumer should be required to forecast definitely the date when he desires such season to start. San Joaquin corporation's contracts for agricultural consumers should contain the provision that the service will be reconnected on a certain definite date each year, unless the

consumer gives ten days written notice that it is desired to begin the season on some different date from that referred to in the contract.

2. Additional service beyond the season contracted for.

Rule No. 4 of the San Joaquin corporation's rules and regulations, provides that consumers under existing contracts may make changes in the size of their motor installations by either increasing or decreasing the same, providing such change is satisfactory to the utility, and in its opinion will not work an undue hardship upon it or its then existing consumers. This rule further provides that any consumer under an existing agricultural contract for a less period than 12 months in any year, may be furnished with additional service either before or after the season shown in the contract at the same rate which he would be required to pay had such additional period been included in the contract season, plus \$1.00 per horsepower per month in the case of flat rate consumers, or plus 75 cents per horsepower per month in the case of consumers taking service under the demand and energy rates.

Inasmuch as the rates established for short seasons are higher per horsepower per month than those for longer seasons, it is to be presumed that consumers who contract for a shorter season have at least taken care of the greater part of the fixed costs when they pay the regular rates for such service. I do not believe there is any real necessity or justification for penalizing the consumer who requires service for an additional period beyond that specified in his contract. It would be to the advantage of the San Joaquin corporation to encourage additional use of its service by such consumers, and this rule should, therefore, be revised so that additional service if continuous may be taken at the same rates as though the extra period had been included in the original contract. When this rule is applied to service required during periods not adjacent to the contract season, San Joaquin corporation may require its consumers to pay the cost of disconnecting and reconnecting the service for such additional period.

VII.

Voltage Conditions in East Bakersfield.

In regard to the quality of San Joaquin corporation's service, the opinion in Decision No. 3241, referred to above, contained in part the following language:

"The only other serious complaint against the service supplied by the San Joaquin corporation was directed against the differences between the voltage maintained by the corporation's supply systems in East Bakersfield and in Bakersfield. This condition

should be rectified at once. The rates herein established contemplate that a uniform standard voltage, phase and frequency will be maintained for each class of service in each community, larger unit or over the entire system."

The evidence herein develops the fact that 40 per cent only of the changes required in Bakersfield to comply with this portion of the commission's order, effective May 1, 1916, had been completed on March 5, 1917.

In the absence of any adequate showing on the part of the San Joaquin corporation that it has been impossible for it to proceed to carry out the commission's order to rectify this condition "at once," I can not assume that any such delay was justified, and San Joaquin corporation will be expected to carry this work to completion without further delay.

VIII.

Modification of Other Schedules and Rules.

1. *Off-pumping season service for agricultural consumers.*

The Tulare County Electric Users Association, which represents a number of San Joaquin corporation's consumers as well as many of those taking service from Mount Whitney Power and Electric Company, has filed a brief herein, in which the following argument is urged:

"As regards the effective rates for agricultural service, we recognize and duly acknowledge that the present rates are in some respects more advantageous for the consumer than the rates in force prior to May 1, 1916. The greatest saving made possible to the consumer is due to the establishment of seasonal rates. A consumer is thus enabled to buy power for fractional parts of a year, instead of being compelled to take service for the entire year as under the former rates. In connection with this matter of seasonal service, we wish to direct attention to the numerous suggestions contained in the letters submitted by us to the commission, that some more favorable rate than is provided for under the existing rate schedules be established for the off-season period. Many ranchers desire to use their pumping installations after the close of the seasonal irrigating period, for pumping water for domestic purposes and stock water, or irrigating small garden patches. The combinations permissible in connection with the seasonal rates, under the existing rules, are not economical for the cost of service during the off-season period is too high. In some instances ranchers have been forced to install small plants for domestic purposes, to get service at a reasonable cost during this off-season period, thus entailing an additional investment."

San Joaquin corporation, in its answer to this argument, urges that its rule No. 47, which has been on file with the commission since July 5, 1916, amply takes care of this situation. This rule is as follows:

“Should any consumer, under an existing executed agricultural contract for a less period than twelve months in any year of the term thereof, desire to be furnished with additional service for domestic purposes for a continuous period immediately preceding or immediately following such contract period, then upon receipt by the company from the consumer of a written application to the company therefor, on a form furnished by the company for that purpose, said application being made to the company at one of its local offices, at least ten days prior to the date of the beginning of such additional service desired preceding the contract period in such year, or upon receipt by the company from the consumer of a written application to the company therefor, on a form furnished by the company for that purpose, said application being made to the company at one of its local offices at least ten days prior to the end of such contract period for said year, such application being made for such additional service desired following the date of the end of such contract period, for said year, the company shall furnish to the consumer such additional service so desired at the following rates, to wit:

In accordance with Schedule No. 1, provided, however, that the minimum monthly charge shall be one dollar per horsepower of connected load on motor installations up to and including three horsepower; three dollars and fifty cents on installations in excess of three horsepower but less than seven and one-half horsepower; fifty cents per horsepower of connected load on motor installations of seven and one-half horsepower and over.”

Schedule No. 1 referred to here is the regular rate designed for residence lighting, being 8 cents per kilowatt hour for the first 20 kilowatt hours per month, and 4 cents per kilowatt hour for all energy in excess of 20 kilowatt hours per month.

Inasmuch as the rates established for the shorter season were designed to cover the annual fixed costs, even though no energy might be consumed during the off pumping season, it is clearly to the advantage of the utility to encourage such use by as favorable a rate as possible. A further reason for making such a rate is the fact that the use of the service will occur mainly off the seasonal peak.

I suggest the following form of rule to apply to service of this character:

“Where a contract is made for agricultural service under Schedule No. 4 or Schedule No. 6a for a seasonal period of not less than three months, at the expiration of said seasonal service, or any extension thereof, the consumer, under such contract, will be

supplied with current for all purposes for the remaining months of the year as follows:

First 20 kilowatt hours per month per meter, 8 cents per kilowatt hour.

Next 50 kilowatt hours per month per meter, 4 cents per kilowatt hour.

All over 70 kilowatt hours per month per meter, 2 cents per kilowatt hour.

Minimum monthly charge, 50 cents per horsepower, connected.

Minimum monthly bill under this rule shall be \$1.00.

2. *Rates for agricultural consumers whose load factor is low.*

Our attention has been called to a class of agricultural consumers whom it is not possible for San Joaquin corporation to serve under any of its existing schedules because of the very low load factor at which these plants operate. I refer to farmers who receive gravity water from ditch systems, and who require a pumping plant at times to supplement this supply and also to owners of deciduous fruit orchards which require irrigation but infrequently. Not being able to economically operate under the present rates designed for use under high load factor conditions, such consumers are forced to resort to the installation of gas engines or other alternative motive power, with a resultant loss of gross revenue to the San Joaquin corporation and excessive cost to the would-be consumer.

Undoubtedly the addition of this class of business would increase the saturation of load on San Joaquin corporation rural lines, many of which are at present not fully loaded, without a corresponding increase in distribution line investment.

Schedule No. 8 is a rate which was designed for application to industrial business. The principal objection to its application to agricultural business in general is that the distribution line investment is larger per horsepower for this class of service than is usual with industrial business. This argument does not hold in connection with the addition of business to existing lines, and, of course, in considering the justification for line extensions, account must be taken of the probable revenue under the rate selected before such extension is made.

I suggest that Schedule No. 8 be reworded to read as follows:

SCHEDULE No. 8.

General Power Rate.

METERED SERVICE.

Applicable to all agricultural and general power installations, of not more than fifty (50) horsepower installed capacity, receiving energy at 110 or 220 volts at the consumer's option, single-phase, two-phase or three-phase service at option of company.

4 cents per kilowatt hour for the first 200 kilowatt hours consumed during any month.

2 cents per kilowatt hour for all energy used during any month in excess of 200 kilowatt hours.

MINIMUM CHARGE.

For continuous industrial service, supplied from secondary distribution systems,
\$1.00 per month per horsepower, connected.

FOR SEASONAL INDUSTRIAL SERVICE.

Each month of a 3-months' period, \$3.25 per horsepower, connected.
 Each month of a 4-months' period, \$2.50 per horsepower, connected.
 Each month of a 5-months' period, \$2.05 per horsepower, connected.
 Each month of a 6-months' period, \$1.75 per horsepower, connected.
 Each month of a 7-months' period, \$1.55 per horsepower, connected.
 Each month of a 8-months' period, \$1.40 per horsepower, connected.
 Each month of a 9-months' period, \$1.25 per horsepower, connected.
 Each month of a 10-months' period, \$1.15 per horsepower, connected.
 Each month of a 11-months' period, \$1.05 per horsepower, connected.
 Each month of a 12-months' period, \$1.00 per horsepower, connected.
 For all service supplied from rural lines, \$12.00 per year or fraction thereof
 per horsepower, connected.

MINIMUM BILL.

Minimum monthly bill where service is supplied from secondary distribution
systems, \$1.00 per month per meter.

Minimum seasonal bill: the equivalent of the minimum charge for 3 months
service for one horsepower.

Minimum bill for service supplied from rural lines, \$30.00 per meter.

3. Seasonal industrial minimum.

Some time after the new rates were established it was found necessary to establish minimum charges for seasonal industrial business. Such minimum charges, established after informal conference between representatives of the utility and the commission were made the equivalent of the demand charges fixed for agricultural business under Schedule No. 6b, being as follows:

Each month of a 3-months' period, \$3.25 per horsepower, connected.
 Each month of a 4-months' period, \$1.95 per horsepower, connected.
 Each month of a 5-months' period, \$1.70 per horsepower, connected.
 Each month of a 6-months' period, \$1.55 per horsepower, connected.
 Each month of a 7-months' period, \$1.40 per horsepower, connected.
 Each month of a 8-months' period, \$1.30 per horsepower, connected.
 Each month of a 9-months' period, \$1.20 per horsepower, connected.
 Each month of a 10-months' period, \$1.10 per horsepower, connected.
 Each month of a 11-months' period, \$1.05 per horsepower, connected.

This schedule of minimums was appended to Schedules No. 6c, No. 8 and No. 9a.

Certain inconsistencies have developed in the application of this schedule of graduations as minimum charges. Where it is so applied it should be revised to conform to the seasonal minimums as set forth above, as a part of revised Schedule No. 8.

IX.**Service Interruptions.**

Some complaint was made to the effect that service on San Joaquin corporation's rural electric distribution lines is frequently interrupted, often for only a few seconds at a time, but long enough so that connected centrifugal pumps lose their priming or the interruption or drop in voltage results in the tripping of the low voltage release. It was pointed out by representatives of the San Joaquin corporation that many of the agricultural plants are operating with a vacuum, which is very close to the maximum, so that even a very slight variation in the speed of the pump will often cause it to lose its priming. It is claimed that such interruptions to the flow of the water can not be properly charged against the continuity of service delivered by the corporation.

The commission has under preparation at the present time a general order establishing standards of quality and condition of service to be delivered by electric utilities in this state, and this subject may very properly be left for consideration in connection with that general order.

I submit the following form of order:

ORDER.

Public hearings having been held in the above-entitled proceeding, and the same having been submitted and being now ready for decision, the Railroad Commission now makes the following findings of fact:

(1) The Railroad Commission finds that the rates, rules, regulations, contracts and practices of San Joaquin Light and Power Corporation are unjust and unreasonable in so far as they differ from the rates, rules, regulations, contracts and practices found to be just and reasonable in the opinion which precedes this order.

(2) The Railroad Commission hereby finds that the rates, rules, regulations, contracts, practices and acts to be performed by San Joaquin Light and Power Corporation, as set forth in the opinion which precedes this order, are just and reasonable rates, rules, regulations, contracts, practices and acts to be established, charged, collected, enforced and performed by San Joaquin Light and Power Corporation.

Basing its order on the foregoing findings of fact, and on each statement of fact contained in the opinion which precedes this order.

It is hereby ordered that San Joaquin Light and Power Corporation be and the same is hereby ordered and directed to establish and file with the Railroad Commission on or before May 20, 1917, and thereafter to observe the rates, rules, regulations, contracts and practices set forth in the opinion which precedes this order, and that San Joaquin Light and Power Corporation be and the same is hereby

ordered and directed to perform each act which the opinion which precedes this order states should be performed by it.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of May, 1917.

DECISION 4290.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC RAILROAD COMPANY, SOUTHERN PACIFIC COMPANY AND THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY FOR AN ORDER AUTHORIZING SOUTHERN PACIFIC RAILROAD COMPANY TO SELL AND CONVEY TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AND AUTHORIZING THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY TO ACQUIRE FROM SAID SOUTHERN PACIFIC RAILROAD COMPANY AN UNDIVIDED ONE-HALF INTEREST IN AND TO THAT PORTION OF THAT CERTAIN RAILROAD KNOWN AS THE "OIL CITY BRANCH" OF THE SOUTHERN PACIFIC COMPANY IN KERN COUNTY, CALIFORNIA, AND AUTHORIZING THE SOUTHERN PACIFIC RAILROAD COMPANY AND THE SOUTHERN PACIFIC COMPANY TO RELEASE AND RELIEVE THE PORTION DESIRED TO BE CONVEYED AND ACQUIRED, FROM THE OPERATION, TERMS AND CONDITIONS OF A CERTAIN LEASE FROM SOUTHERN PACIFIC RAILROAD COMPANY TO SOUTHERN PACIFIC COMPANY, DATED JUNE 26, 1902, ALL IN ACCORDANCE WITH A CERTAIN DEED FILED WITH THE APPLICATION AND MARKED "EXHIBIT A," AND ALSO AUTHORIZING THE PETITIONERS HEREIN TO MAKE AND EXECUTE AN AGREEMENT RELATING TO THE MANAGEMENT, OPERATION AND MAINTENANCE OF SAID "OIL CITY BRANCH."

Application No. 2828.

Decided May 3, 1917.

Applicants are authorized to enter into an agreement whereby the Santa Fe Railway Company acquires from the Southern Pacific Company an undivided one-half interest in certain trackage in Kern County known as the "Oil City Branch" for the sum of \$168,893.14; provided, however, that as the purchase price agreed upon by parties is considerably in excess of the value of such property heretofore found by the commission's engineers, applicant shall submit, for the approval of the commission, the form in which the agreed valuation will be handled upon the books of said applicants.

Frank Thunen, for Southern Pacific Company.

A. J. Maxwell, for The Atchison, Topeka and Santa Fe Railway Company.

LOVELAND, *Commissioner*.

OPINION.

This is an application of the Southern Pacific Railroad Company, Southern Pacific Company and The Atchison, Topeka and Santa Fe

Railway Company for an order approving the sale and conveyance by Southern Pacific Railroad Company to The Atchison, Topeka and Santa Fe Railway Company of an undivided one-half interest in the line of railroad known as the "Oil City Branch." The Southern Pacific Railroad Company and Southern Pacific Company also ask permission to release the portion of the line to be conveyed in part to the Santa Fe from the operation, terms and conditions of a lease from Southern Pacific Railroad Company to Southern Pacific Company dated June 26, 1902, and all these companies request the commission's approval of the conditions of a proposed agreement relating to the management, operation and maintenance of the "Oil City Branch," after the transfer of the half interest shall have been approved.

The "Oil City Branch" of the Southern Pacific Company is located in Kern County and serves the oil producing country in the Kern River District. It has a main line mileage as follows:

From the junction of main line of Southern Pacific Company between Saco and Oil Junction to end of branch at Oil City-----	6.356 miles
From junction with Oil City branch at Treadwell Junction to end of branch at Porque-----	2.471 miles
	<hr/> 8.827 miles

The mileage of yard tracks, sidings, wyes, etc., is about ten miles.

The Santa Fe Company desires to reach the oil field served by the "Oil City Branch" and as that line is adequate to handle the business secured by both companies such an arrangement as that proposed will obviate the necessity for the construction of additional railroad mileage which would not be followed by development or increase of traffic. The policy of two railroads using jointly properties of this kind is one which I heartily approve. It not only has the effect of reducing operating and other expenses, as well as fixed charges, of the railroads, but it also, in the long run, makes for lower rates to the public. The one obviously follows the other under regulation which, at the same time, makes it certain that a lack of competition will not occasion poor service and unfair rates.

While I am willing to recommend that the commission grant permission for the transfer of a half interest in this property from the Southern Pacific to the Santa Fe company, as well as the release of the lease under which it is now operated, and approve the operating agreement, there is one feature connected with the terms of the sale which I believe should be cleared up before final authority is granted.

The price agreed upon for the transfer of a one-half interest is \$168,893.14, or a total valuation of \$337,786.28. Counsel for both railroads stipulated that this figure would not be binding on this or any other regulatory body in a rate, or other case, where a valuation was used, but they did advance it as a "reproduction cost" figure as of

February 28, 1914. The commission's engineering department has in its files a valuation made by the valuation engineer of the Southern Pacific Company, which, with some additions and betterments added, makes an appraisal as of June 30, 1912. The department has also an appraisal of its own made as of June 30, 1912. An exhibit introduced by applicants shows that the additions and betterments made on this branch since 1912 are credits to it rather than charges, but both of the reproduction cost estimates of 1912 are greatly below the agreed valuation of February 28, 1914.

Neither of the 1912 valuations has been passed upon by the commission and under these circumstances I believe each company should submit to the commission a statement showing how it proposes to handle the transaction on its books. When that is done, if a satisfactory showing is made, in view of the stipulation made by counsel that the agreed figure is to be used for the purpose of this application only, I shall have no hesitation in approving it with that understanding.

I submit the following form of order:

ORDER.

Application having been made for the approval of the sale and transfer to The Atchison, Topeka and Santa Fe Railway Company of an undivided one-half interest in the "Oil City Branch" of the Southern Pacific Company and Southern Pacific Railroad Company; for the authorization of relief to the Southern Pacific Railroad Company and Southern Pacific Company from the operation, terms and conditions of a certain lease dated June 26, 1902, as far as it affects the portion of the line proposed to be transferred; and for the approval of an agreement relating to the management, operation and maintenance of said "Oil City Branch," all in accordance with exhibits attached to the application in this proceeding; and a public hearing having been held and the commission being fully advised in the premises,

It is hereby ordered that this application be and the same is hereby granted on the following condition: That this order shall not become effective until applicants shall have received the approval of the Railroad Commission to the form in which the agreed valuation will be handled upon the books of said applicants.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1917.

DECISION No. 4291.

IN THE MATTER OF THE APPLICATION OF BALDWIN PARK DOMESTIC WATER COMPANY, S. M. WALKER, PROPRIETOR, FOR AN ORDER AUTHORIZING IT TO SELL A CERTAIN WATER PLANT AND SYSTEM TO BALDWIN PARK DOMESTIC WATER COMPANY.

Application No. 2538.

IN THE MATTER OF THE APPLICATION OF BALDWIN PARK DOMESTIC WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCKS AND BONDS, THE EXECUTION OF A TRUST DEED, AND FOR PERMISSION TO PURCHASE AND ACQUIRE A CERTAIN WATER PLANT AND SYSTEM AND FRANCHISE

Application No. 2539.

Decided May 3, 1917.

BY THE COMMISSION.

ORDER RESCINDING PREVIOUS ORDER.

This commission having heretofore on March 7, 1917, issued its order in the above-entitled matter (Decision No. 4169) authorizing Baldwin Park Domestic Water Company, S. M. Walker, proprietor, to transfer a water utility system to Baldwin Park Domestic Water Company, a corporation, and having further authorized the latter company to issue \$65,000.00 par value of capital stock and \$30,000.00 face value of bonds;

And applicants having made written request to this commission under date of April 17, 1917, that the order heretofore issued in this matter be rescinded,

It is hereby ordered that the order of this commission in the above-entitled matter, dated March 7, 1917 (Decision No. 4169), be and it is hereby rescinded.

Dated at San Francisco, California, this third day of May, 1917.

DECISION No. 4292.

IN THE MATTER OF THE APPLICATION OF ROSEVILLE TELEPHONE COMPANY FOR ORDER AUTHORIZING ISSUE OF STOCK.

Application No. 2797.

Decided May 3, 1917.

Applicant authorized to issue 500 shares of its capital stock of the par value of \$10.00 per share, such stock to be sold so as to net applicant not less than par value thereof; of the proceeds the sum of \$4,043.59 to reimburse applicant's treasury for capital expenditures heretofore made, the balance to be used for additions and betterments as needed.

W. Hanisch, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was held by Examiner Westover at Roseville on above application to issue \$9,020.00 of applicant's stock at par for cash, and use \$4,043.59 of the proceeds to reimburse applicant's treasury for betterments and improvements constructed from earnings, and use the remaining \$4,976.41 for the construction of betterments and improvements in applicant's telephone system at Roseville upon supplemental orders from time to time.

Applicant operates a telephone system in and about Roseville, Placer County, serving about 570 subscribers, 92 of which it added during 1916. Its present switchboard will accommodate only about 25 additional subscribers. The community is growing rapidly in industrial and commercial importance, and in population. It appears that applicant's switchboard capacity must soon be increased and that about four miles of new line should be constructed at an estimated cost of about \$400.00. Applicant has not determined whether to enlarge its present switchboard at an estimated cost of \$200.00 to \$400.00, or to install a new switchboard of a different type costing \$3,000.00 or more.

With the application is submitted an exhibit showing the investment of \$4,043.59 for additions and betterments. This exhibit has been checked by the commission's engineers and found correct. The amount appears from the testimony and from applicant's annual reports to have been paid from earnings.

Roseville Telephone Company was organized in April, 1914, with a capital stock of \$25,000.00 divided into 2,500 shares of the par value of \$10.00 each, of which \$14,930.00 par value has been issued. It has no bonds or notes outstanding.

By Decision No. 1491, of May 7, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 975), the commission authorized the issue of 1,100 shares of applicant's stock in exchange for its plant and system acquired from Roseville Home Telephone Company. It appears from an investigation by our auditor's force that 52 shares of this stock were returned to applicant's treasury by the stockholders on August 7, 1914, where they still remain. These 52 shares are included in the 500 shares authorized in the order.

The authority to issue a total of 500 shares we think will be sufficient for applicant's present purposes. If it develops that a new switchboard is needed and desired, the matter can be covered by a supplemental order if necessary.

ORDER.

Roseville Telephone Company having applied to the Railroad Commission of the State of California for an order authorizing it to issue for cash \$9,020.00 of its capital stock at par value thereof and to use

\$4,043.59 of the proceeds to reimburse its treasury for betterments and additions constructed out of earnings and to use \$4,976.41 for the construction of additions and betterments from time to time in the future, and a public hearing having been held on said application and it appearing to the commission that the money to be procured by the issue authorized herein is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Roseville Telephone Company be and it is hereby authorized to issue for cash at not less than par net to applicant 500 shares of its capital stock of the par value of \$10.00 each and use \$4,043.59 of the proceeds thereof to reimburse its treasury for additions and betterments heretofore constructed out of earnings and use the remainder thereof for the construction of additions and betterments from time to time in the future.

The authority herein granted is upon the following conditions:

1. The authority herein granted shall not be binding in any proceeding before this commission or any tribunal, court or public body, as a finding by this commission of the value of applicant's property for any purpose other than that of the present application.

2. Until all the stock herein authorized has been issued applicant shall on or before the twenty-fifth day of each month make a verified report to the Railroad Commission showing stock issued and the application of the proceeds, in such manner and detail as is required by the commission in its General Order No. 24. which order in so far as applicable is made part of this order.

3. This authority shall extend only to such stock as may be issued on or before December 31, 1917.

Dated at San Francisco, California, this third day of May, 1917.

Decision No. 4293, grade crossing; not printed. See end of volume.

DECISION No. 4294.

IN THE MATTER OF THE APPLICATION OF THE CITY OF SAN DIEGO FOR PERMISSION TO CONSTRUCT SORRENTO VALLEY ROAD AT GRADE ACROSS THE TRACKS OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY IN SORRENTO, IN THE CITY OF SAN DIEGO.

Application No. 2730.

Decided May 3, 1917.

Applicant applies for permission to construct Sorrento Valley road at grade across the tracks of Santa Fe Railway Company, and an investigation showing that there is no public necessity for a second crossing in this vicinity and that

sufficient effort has not been made to avoid another crossing, recommendation made that the city make an attempt to solve its problem in another manner, later requesting a dismissal of this application.

T. B. Cosgrove and S. J. Higgins, for Applicants.

F. W. Stearns, for The Atchison, Topeka and Santa Fe Railway Company.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to construct Sorrento Valley road at grade across the tracks of The Atchison, Topeka and Santa Fe Railway Company near Sorrento, in the city of San Diego. The railway company does not oppose the establishment of the proposed crossing provided the present impassable crossing be formally closed.

In the vicinity of the proposed crossing, the railroad, the wagon road and a small stream run northerly and southerly through a comparatively narrow valley, to the station, store and post office at Sorrento, where the Rose Canyon road from San Diego to Los Angeles crosses the railroad at grade on Eidelweiss street, formerly Fifth street. A former crossing at a point about 4,500 feet southerly from Eidelweiss street was washed out and rendered inaccessible by the floods of January, 1916. It has not been formally and legally closed. Since the flood, the travel from the south by way of Sorrento Valley road has approached Sorrento along the easterly side of the railroad over private lands, crossing the railroad at Calla street, formerly Third street, two blocks southerly from Eidelweiss street. This arrangement is only temporary.

The city has procured a right of way 30 feet wide for the proposed crossing, passing over the railroad tracks at a right angle about 2,300 feet southerly from the crossing at Eidelweiss street, and for a road continuing from the proposed crossing westerly about 500 feet, and thence northerly to a dedicated street in Sorrento townsite.

There are four or five families in the valley within the city limits of San Diego and a few in the unincorporated territory immediately beyond. They use the road in question to reach Sorrento and the store and post office which are now located on the westerly side of the railroad on Eidelweiss street.

The point of crossing is visible from locomotives for a distance of about two miles from the north and about three-quarters of a mile from the south. The view from vehicles and of pedestrians is somewhat obscured by temporary rank growth of wild mustard.

There appear to be three methods of avoiding a second crossing and using only the present crossing at Eidelweiss street:

1. A right of way could probably be procured from Mr. Charles J. Swanson for a road along the southerly line of parcel C, lot 9, Sorrento Townsite, extending from the proposed crossing to Lilly street, a dedicated street in the townsite, instead of using the right of way which he has already donated, extending westerly across the railroad tracks about 500 feet. The land involved in the two instances appears to be about equal in area and value.

2. A better route would be to continue from the point of crossing straight northerly along the easterly side of the railroad right of way to the present crossing at Eidelweiss street. The city reports, however, that it has not been able to agree upon satisfactory terms with the property owners for such a right of way. The advantages to the property abutting upon the railroad appear to be of such a character that there should be little difficulty about terms.

3. Arrangement might be made with the railroad company to use part of its hundred foot right of way for part or all of the road, the traveled portion of which is about ten feet wide.

There is no public necessity for more than one crossing in the vicinity. It does not appear that sufficient effort has been made to avoid a second crossing. It is the desire of the commission to eliminate grade crossings wherever feasible. We feel confident that a better solution can be found than the reconstruction of the existing second crossing or the establishment of any new crossing; and that the city will so solve this problem and later request a dismissal of the application. We therefore make no order in the matter at this time.

Dated at San Francisco, California, this third day of May, 1917.

DECISION No. 4295.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF DEBENTURES.

Application No. 2838.

Decided May 7, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California by its Decision No. 4279, dated April 28, 1917, authorized applicant in the above-entitled proceeding to execute a trust agreement substantially

in the same form as the copy of the trust agreement filed in connection with the application herein and marked "Exhibit 1," said authority, however, being granted subject to the condition that no modification, amendment or addition shall be made to said trust agreement, unless the same shall have been approved by this commission, and

Whereas, applicant herein on May 5, 1917, filed with this commission, in connection with the application herein, a revised copy of said trust agreement which has been marked "Exhibit 1, Amended," and good cause appearing;

It is hereby ordered that San Joaquin Light and Power Corporation be granted and it is hereby granted authority to execute a trust agreement to the Security Trust and Savings Bank of Los Angeles substantially in the same form as the copy of the trust agreement filed in connection with the application herein and marked "Exhibit 1, Amended," to which reference is hereby made; the authority herein granted to execute said trust agreement in substantially the same form as "Exhibit 1, Amended," being in lieu of the authority heretofore granted by said Decision No. 4279, dated April 28, 1917, to execute a trust agreement substantially in the same form as "Exhibit 1."

It is hereby further ordered that the order found in Decision No. 4279, dated April 28, 1917, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this seventh day of May, 1917.

DECISION No. 4296.

CITY OF BURLINGAME

vs.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 869.

Decided May 8, 1917.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

The petition of the city of Burlingame for rehearing questions Decision No. 4248, made on April 16, 1917, herein, in so far only as the decision refers to the question of reparation.

Petitioner urges that the defendant's telephone subscribers north of Oak Grove avenue in the city of Burlingame should have been awarded reparation in the amount of the mileage charges which they paid to the defendant during the period from July 7, 1915, to June 30, 1916.

The reasons why such reparation was not allowed are fully set forth in said Decision No. 4248, and nothing new is presented by the petition for rehearing.

The petition for rehearing states that said Decision No. 4248 denied to the city of Burlingame the right to fix telephone rates within the city limits. Petitioner is mistaken with reference to the commission's holding on this point. The commission held that, assuming that the city of Burlingame had the power to establish rates for telephone service in certain cases prior to the amendment of section 23 of Article XII of the Constitution in November, 1914, and the reenactment of the Public Utilities Act, effective August 8, 1915, such power was not lawfully exercised for the reason that the resolution adopted by the city of Burlingame undertook to provide a rate for the local exchange telephone service which the defendant was rendering in the city of Burlingame, which service included not merely messages between various customers in the city of Burlingame (all of which messages were transmitted through the San Mateo exchange) but also messages between customers in the city of Burlingame and customers in San Mateo, Hillsborough and other points in the defendant's San Mateo exchange. No effort was made to provide a rate for telephone service confined within the limits of the city of Burlingame. Granting, for the sake of the argument, that the city of Burlingame had the power on July 7, 1915, to fix the rates for telephone service for the territory over which the city had jurisdiction, it is entirely clear that this power was not exercised in a lawful and effective manner. Reference is hereby made to said Decision No. 4248 for other reasons why petitioner is not entitled to reparation.

We are of the opinion that no good reason appears for granting a rehearing and that the petition for rehearing should be denied.

ORDER.

City of Burlingame, complainant in the above-entitled proceeding, having filed herein a petition for rehearing, and careful consideration having been given to the same, and no good reason appearing why a rehearing should be held,

It is hereby ordered that said petition for rehearing be and the same is hereby denied.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4297.

IN THE MATTER OF THE APPLICATION OF MEXICO AND SAN DIEGO RAILWAY COMPANY TO DISCONTINUE SERVICE AND DISPOSE OF ITS PROPERTY.

Application No. 2876.

Decided May 8, 1917.

Applicant authorized to abandon its line of railway, take up its steel rails, sell the same for the sum of \$4,500.00 and apply the proceeds towards reducing its indebtedness.

Leovy & Lcovy, for Applicants.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to discontinue railroad service and dispose of applicant's property.

Applicant's 2.15 miles of railroad was constructed in the spring of 1913 connecting South San Diego with Imperial Beach, a community of about 125 people, in San Diego County. In connection with its railroad it constructed a canal 10,000 feet long to connect its rails with deep water at the south end of San Diego Bay and arranged with Crescent Boat Company for ferry service between San Diego and its terminus. The canal subsequently silted up, and could not profitably be kept open, and the ferry service was discontinued in the fall of 1914. Applicant thereupon arranged with San Diego and Southeastern Railway Company for trackage rights between National City and Otay Junction, on the latter's line, and applicant's northerly terminus at Ninth and C streets, South San Diego. An all-rail service between San Diego and Imperial Beach was thus available to its patrons. This continued until January 17, 1916, when an unprecedented flood along the Otay River washed out considerably more than a mile of the tracks of the San Diego and Southeastern from a point near Ninth and C streets, South San Diego, to a point north of National City and Otay Junction on its San Diego line and east of that junction on its Tia Juana line. This part of its line has not been operated since the flood. Other portions of its tracks were washed out at the same time. Owing to this disaster to applicant's connection and its inability to handle business for San Diego, it has not operated its road since the flood.

The present situation of applicant is that it can not connect Imperial Beach or South San Diego or both with any other points either by rail or water. Its northern terminus is on the edge of a devastated waste. Along its line outside of Imperial Beach are only four families within

nearly a mile of its tracks. Many of the few people it formerly served have provided themselves with automobiles and do not require applicant's service. The only residents of Imperial Beach who appeared at the hearing were three gentlemen who stated that they had no objection to the granting of the application and that they had no information or suggestions to give.

Prior to the flood applicant operated ten trains a day, five round trips. Its financial operations were as shown below:

Revenue and expenses	July 1, 1914, to June 30, 1915	July 1, 1915, to January 17, 1916
Passenger revenue	\$697 70	\$431 75
Express revenue	50 40	53 60
Totals	\$748 10	\$485 35
Total expenses, including operation, interest, insurance and taxes.....	\$3,823 96	\$2,506 28

Applicant's line has always been operated at a loss. It has never paid any dividends.

Applicant has no mortgage indebtedness but owes \$27,329.59 in notes and open accounts, principally due to Los Angeles and San Diego Beach Railway Company, which is owned by allied interests and from which it purchased the 40-pound second-hand rails with which it constructed its line. It is now offered \$4,500.00 for these rails by said company, which it considers an advantageous offer. It has not yet found a market for its two passenger cars and other property.

ORDER.

Mexico and San Diego Railway Company having applied to the commission for authority to discontinue service and to dispose of its property, and a public hearing having been held upon said application and it appearing to the commission that applicant's line has always been operated at a loss, that owing to destruction by floods of a considerable portion of the lines of its connecting carrier it is unable to transport passengers to San Diego, for which purpose its line was constructed, that it is financially unable to render such service in connection with a ferry or boat service on San Diego Bay, and no objection being offered thereto by any of its patrons,

It is hereby ordered that applicant be and it is hereby authorized to discontinue all service over its line of railroad and to sell its steel rails for the sum of \$4,500.00 and apply the proceeds thereof to a reduction of its indebtedness.

This order is made upon the following conditions:

1. The authority herein contained shall extend only to such property as shall have been sold by applicant within sixty (60) days after date hereof.

2. Within ten (10) days after such sale, applicant shall report to the commission in writing the fact and date of said sale, the moneys or credits received therefor, and what disposition was made of the proceeds of said sale.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4298.

IN THE MATTER OF THE APPLICATION OF WELLS FARGO & COMPANY FOR AUTHORITY TO AMEND CALIFORNIA SECTION OF THE OFFICE DIRECTORY BEARING CAL. R. C. NO. 17, BY ADDITION AS RATE BASIS FOR MARTELL (NONAGENCY) 20 SCALE NUMBERS, WHICH WILL INCREASE THE RATES PRACTICALLY ONE DOLLAR ON FIRST CLASS AND SEVENTY-FIVE CENTS ON SECOND CLASS.

Application No. 2836.

Decided May 8, 1917.

Upon a showing that its present business to and from the town of Martell is conducted at a loss, applicant is authorized to charge an additional rate of 40 cents per hundred pounds on first-class matter and 30 cents per hundred pounds on second-class matter from all points in the state excepting Jackson, Sutter Creek and Amador City.

K. K. Lockwood, for Applicant.

Fred G. Athearn, for Amador Central Railroad Company.

W. Lucot and *C. Norton*, for Sutter Creek Merchants' Association, Protestant.

J. Dalton and *M. Heiser*, for Jackson Merchants' Association, Protestant.

C. E. Richards, *A. Malatesta* and *H. Siebe*, of Sutter Creek; *G. Vela* and *P. Cassimelli*, of Jackson, and *A. Campo*, of Amador City, Protestants.

BY THE COMMISSION.

OPINION.

This is an application of Wells Fargo & Company, hereinafter referred to as the "Express company," for authority to increase its first-class rate \$1.00 and its second-class rate 75 cents per 100 pounds, between Martell and all points in California, excepting Jackson, Sutter Creek and Amador City, stage line points.

A public hearing was held in Sutter Creek, Amador County, April 25, 1917, before Examiner Bancroft.

The express company bases its request for authority to make the proposed increase on the ground that it is at present losing money on express shipments between the points affected by the application and Martell, a nonagency station; and in support of this contention applicant has introduced, under the heading of "Exhibit No. 7," a statement showing, among other matters, that the rates charged by it between Martell and a number of representative points in the state are less than the actual amounts which the express company pays to the railroad companies for carrying the shipments.

This exhibit shows that, on every 100 pounds of first-class matter handled by applicant between Martell and any of these representative points situated in the Sacramento Valley or in the San Joaquin Valley north of Fresno, the combined payments made by the express company to the Southern Pacific Company and the Amador Central Railroad Company exceed its gross receipts for the handling of said express matter from 40½ cents, to 54½ cents, while on second-class matter the excess of payments to the carriers over the receipts runs from 5½ cents to 15½ cents. This makes no allowance for the cost to applicant of messenger service, overhead or incidental expenses.

It is obvious that applicant's business between these points and Martell is being conducted upon a far from profitable basis and, furthermore, that under existing conditions the more this business increases, the more money the express company will lose.

While this commission is not bound by contracts made between an express company and a carrier, nevertheless, since applicant bases its request for relief upon the fact that under its contracts with the carriers it is required to pay out to them for these shipments more than its gross receipts, it is pertinent to determine whether the amounts paid to the carriers by the express company are reasonable. It appears that the express company pays the Southern Pacific Company 55 per cent of its gross receipts accruing to the Southern Pacific Company haul, while it pays to Amador Central Railroad Company for the carriage of 100 pounds \$1.00 on first-class shipments and 50 cents on second-class shipments. The latter rate includes foodstuffs and beverages, the former substantially all other shipments; and it appears that practically all shipments to Martell for stage point destinations consist of the second-class matter.

Taking the rate between Sacramento and Martell as a typical instance, the amount paid by the express company to Southern Pacific Company for hauling 100 pounds of first-class express matter 55 miles to Ione is 21½ cents, while the amount paid to Amador Central Railroad Company for hauling the same express matter the remainder of the distance, approximately 12 miles, is \$1.00. In other words, on through shipments from Sacramento to Martell the express company is paying

the Southern Pacific Company less than half a cent per mile for hauling 100 pound shipments of first-class expressage for the first 55 miles of the distance, while it is paying the Amador Central Railroad Company over 8 cents per mile for hauling the same expressage the remainder of the distance. Assuming that the amount paid by the express company to the Southern Pacific Company is anywhere near reasonable, it is obvious that the amount paid by it to the Amador Central Railroad Company is, to put the matter mildly, excessive and unreasonable.

Under these conditions, it would be absurd for this commission to authorize applicant to charge a rate based upon the amount it is now paying the Amador Central Railroad Company and Southern Pacific Company for carrying express matter.

On the other hand applicant's rates from all points in California, excepting stage line points beyond Martell, are the same to Martell as to Ione, owing to the fact that both points are located in Block No. 1105, Subblock I; and we find that the applicant should be entitled to establish higher rates on shipments to Martell than to Ione from all points in the state, excepting Jackson, Sutter Creek and Amador City, stage line points radiating therefrom, as all the shipments have to pass through Ione and have to be transported the remainder of the distance upon a different railroad, traversing rough and extremely sparsely settled territory.

Under all the circumstances, we find that applicant should be permitted to charge an additional rate of 40 cents per hundred pounds on first-class expressage and 30 cents per hundred pounds on second-class expressage for shipments from all points in the state, subject to the exceptions above noted, to Martell over and above its existing rates to Ione, which will be accomplished by adding eight scale numbers to the scale in effect for Martell.

ORDER.

A public hearing having been held in the above proceeding and the matter being now ready for decision,

It is hereby ordered that Wells Fargo & Company be, and the same is hereby authorized to publish and file with this commission a tariff adding eight scale numbers to the scale now in effect for Martell.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4299.
PACIFIC IMPROVEMENT COMPANY
vs.
CALIFORNIA-OREGON POWER COMPANY.

Case No. 1076.

Decided May 8, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the proceeding entitled as above having made written request that the action be dismissed,

It is hereby ordered that the same be and it is hereby dismissed without prejudice.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4300.

IN THE MATTER OF THE APPLICATION AND EFFECT OF THE RATES, RULES AND REGULATIONS TO BE CHARGED AND APPLIED BY MOUNT WHITNEY POWER AND ELECTRIC COMPANY, AS ESTABLISHED BY DECISIONS NO. 3242 AND NO. 3278 OF THE RAILROAD COMMISSION.

Case No. 1043.

(On the commission's own motion.)

Decided May 8, 1917.

An investigation on the commission's own motion looking into the results of rates, rules and regulations heretofore established covering entire system of defendant company.

1. Respondent, in purchasing transformers owned by consumers in compliance with the commission's order, should specify the particular equipment it is paying for. Should it fail to purchase transformer platforms it has no property right thereto or right to remove such structures should service be discontinued.
2. The commission in requiring the purchase of consumers' transformers by respondent, took into consideration the situation as a whole, accordingly respondent is not justified in refusing to purchase transformers owned by certain consumers on the grounds that the individual revenue therefrom is insufficient to warrant the investment.
3. In the use of demand meters, readjustments on a basis of 94 per cent demand factor is shown to be incorrect when applied to the present method of determining maximum demands, and should be discontinued.
4. Big demands caused by the use of plunger pumps when used for the purpose of delivering water to two or more different levels in which the load recorded by the meter is that produced by the delivery to the highest of such levels, is an entirely proper charge against the consumer, inasmuch as such load continues for a considerable period of time.

5. If tests taken by respondent, show a demand factor at **any time in excess of 100 per cent** and respondent files with the commission and the consumer, notice of its intention to install a demand meter, beginning with the date of such notice it may charge consumer on a basis of the last demand test on record until meter is actually installed.
6. A ruling of the commission eliminating a rule of respondent requiring consumers to grant the company a right of way over their property in return for service, can not be made retroactive, respondent, accordingly, will continue to hold title to all rights of way heretofore acquired.
7. The commission will not require respondent to make, at his own expense, an unprofitable extension across a consumer's premises where it has no right of way to protect its investment.

Revisions made in certain schedules and rules heretofore established and several additional schedules added to take care of new business, which rates and revised rules shall become effective May 20, 1917.

E. C. Clark, for the consumers.

E. C. Farnsworth, for Mount Whitney Power and Electric Company.

THELEN, Commissioner.

OPINION.

This is a proceeding initiated by the Railroad Commission on its own motion, for the purpose of examining into informal complaints which have been made, affecting the rates, rules and regulations of the Mount Whitney Power and Electric Company, hereinafter called the Mount Whitney company, as established by the Railroad Commission in what is commonly known as the "Mount Whitney rate case." The decision in that case was rendered on April 6, 1916, and the decision on rehearing on April 22, 1916. The rates, rules and regulations established by the Railroad Commission in that proceeding were, to a considerable extent different from those which had theretofore existed, and in working out the new rates, rules and regulations, quite a number of matters have come up, some of which appear not to have been satisfactorily adjusted between the Mount Whitney company and its consumers.

The commission considered it advisable to again hold public hearings for the purpose of receiving first hand the complaints of all consumers of the Mount Whitney company who cared to further advise the commission concerning matters involved in the original proceedings and of the effect of a season's application of the new schedules. It was also thought advisable to consider at this time all of the unadjusted informal complaints from patrons of the Mount Whitney company.

A public hearing was held in Bakersfield on February 23, 1917, on which day the case was submitted with the understanding that certain data which had been called for by the commission and other data offered by the Mount Whitney company might be filed later and considered part of the evidence in this proceeding.

At the time of the hearing in this proceeding the following exhibits were filed:

Consumers of Mount Whitney Power and Electric Company, No. 1 and No. 2.

A statement of tests of pumping plants made by the Central California Electric Company, on behalf of the Tulare County Electric Users Association, was also introduced but not given a formal exhibit number. For purposes of identification it has since been marked Consumers' Exhibit No. 3; Mount Whitney Power and Electric Company No. 1.

The following additional documents will also be considered in evidence in this proceeding:

Annual report of Mount Whitney Power and Electric Company for the year ending December 31, 1916.

All of the evidence taken by this commission in connection with Application No. 1673, in so far as the same is pertinent to the issues involved in the present proceeding.

All of the informal complaint files referred to in the Commission's Exhibit No. 1.

It was stipulated that such documents as might be filed subsequent to the hearing should be considered as evidence herein. Accordingly, the following documents which have since been filed by Mount Whitney Power and Electric Company, have been given the exhibit numbers indicated and will be considered as being in evidence in this proceeding:

Mount Whitney Exhibit No. 2--Data on agricultural consumers connected to the Venice Hill, Visalia, Tulare and Delano substations.

Mount Whitney Exhibit No. 3--Connected loads and demands of all agricultural consumers in 1915.

Mount Whitney Exhibit No. 4--Correspondence and bills referring to service to Dr. George H. Shrodes and I. H. Keim.

Mount Whitney Exhibit No. 5--Letter of March 6, 1917, addressed to Farnsworth and McClure by R. C. Bulger, auditor of Mount Whitney Power and Electric Company referring to number of transformers purchased and price paid.

The following exhibit was filed by the consumers subsequent to the hearing and will be considered in evidence herein:

Consumers' Exhibit No. 1-A--Additional reports similar to those filed as Consumers' Exhibit No. 1.

The Railroad Commission's gas and electrical division has prepared a statement of informal complaints filed against Mount Whitney company with the commission between May 1, 1916, and February 23, 1917, which will be considered in evidence herein, and marked Railroad Commission's Exhibit No. 1.

The matters concerning which complaints against the Mount Whitney company have been brought to the commission's attention,

may be divided into several general subjects, which will be considered in the order indicated.

- I. *Purchase of consumers' transformers.*
 1. Ownership of supporting structures.
 2. Perpetual right to maintain.
 3. Refusal to purchase when revenue is small.
 4. Prices offered for types of transformers considered to be below standard.
- II. *Effect of the use of maximum demand meters.*
 1. Adjustment on the 94 per cent demand factor basis and effect of abnormal demands.
 2. Time intervals.
 3. Determination of demands where meters are not available.
- III. *Classes of service not provided for under any of present rates.*
 1. Very short seasonal business.
 2. Development period business.
- IV. *Rights of way.*
 1. Granted prior to the commission's order of May 1, 1916.
 2. Rights of way required in connection with present and future extensions.
- V. *Other modifications of existing rates and rules.*

I.

Purchase of Consumers' Transformers.

1. *Allowance for supporting structures.*

In Decision No. 3242 in Application No. 1673 (Vol. 9, Opinions and Orders of the Railroad Commission, p. 628), the Railroad Commission, at page 652, made the following statement:

"In determining proper rates to be charged by the Mount Whitney company, careful consideration has been given to this matter, and the rates herein established are based upon the assumption that the Mount Whitney company will acquire, on equitable terms, all transformers now owned by its consumers, and that henceforth it will continue to provide and maintain all the facilities necessary in connection with the delivery to the consumer of electric energy at the rated voltage of his utilization equipment."

In carrying out this order, Mount Whitney company requires its consumers to sign a bill of sale containing the following clause:

"And said first party . . . does hereby sell, transfer and convey unto the Mount Whitney Power and Electric Company. . . the following described transformer, to wit: (Detailed description of transformer), together with all attachments, structures and appliances used in the installation and operation thereof, . . ."

Numerous complaints have been received by the commission to the effect that Mount Whitney company has required the conveyance to it of the structures supporting the transformers at prices which do not include an allowance for the same, although these structures were originally installed at the consumer's expense.

In answer to this complaint Mount Whitney company urges that this clause was simply intended to include the incidents necessarily going with the transformers. It also alleges that between 85 and 90 per cent of consumers' transformers have already been purchased, and that to reopen this question now would necessitate duplication of the work connected with the obtaining of certificates of title and the execution of bills of sale. This, it is claimed, would entail a great deal of expense and delay and invite controversies as to the present ownership. Mount Whitney company further urges that when consumers have made objection to this clause before executing the bill of sale, the clause has been stricken out, as in most instances the company preferred to erect a new and standard structure rather than be required to pay for the supporting structures now in service.

Mount Whitney company has apparently attempted in good faith promptly to carry out the commission's order with reference to the purchase of transformers which were owned by its consumers prior to May 1, 1916, and I am, therefore, loath to open up the subject again at this time, particularly in view of the fact that the matter of transformer structures is of relatively minor importance. While Mount Whitney company should have the right to use the transformer platforms, erected at the expense of its consumers, during the period when service is being supplied to such consumers, the utility should not have the right to remove such structures from the consumer's premises or to retain any property right therein after service to the premises has been discontinued.

In regard to transformers not yet purchased, Mount Whitney company should make clear to the consumer just what part of the equipment he is receiving payment for, and should call the consumer's attention to his right to modify the objectionable clause in the bill of sale in accordance with the suggestions herein contained.

2. Perpetual right to maintain transformers.

A second clause which some consumers have found objectionable in the transformer bills of sale provides that with the equipment purchased the right is conveyed by the seller to Mount Whitney company,

" . . . and its successors and assigns forever, with the right to said second party, its successors and assigns, to maintain, repair, replace or remove such transformer, with sufficient ground space therefor and with the right of ingress to and egress from the premises where such transformer is installed, for each and all such purposes."

Those who have made complaint as to this provision in the bill of sale regard the aforesaid clause as giving Mount Whitney company a perpetual right to maintain transformers and supporting structures

on the property of a consumer even though the service may at some future time be permanently discontinued. The complaining consumers contend that this provision constitutes a cloud on the title of their property and as such is an entirely unjustified requirement on the part of the utility. Inasmuch as there can be no possible advantage to the Mount Whitney company in maintaining such transformers and structures on the premises of a consumer after the facilities are no longer required for the delivery of electric service, Mount Whitney company has advised the commission that where objection to this clause was brought to its attention the consumer has been allowed to strike said clause from the bill of sale before executing the same. Where consumers have any objection in this regard and were not advised of their right to eliminate the same from the bill of sale which they have already executed, the Mount Whitney company will, upon application, furnish a written statement to the effect that neither such transformer nor the supporting structure will be maintained on the premises of the consumer after the cessation of the delivery of electric service.

3. Refusal to purchase transformers where revenue is small.

In carrying out the commission's order relative to the purchase by Mount Whitney company of consumers' transformers used by that utility for the delivery of electric service prior to May 1, 1916, Mount Whitney company has, in a few instances, refused to acquire certain transformers which are used in connection with service yielding a revenue which the utility deems insufficient to justify such an investment. Inasmuch, however, as the commission, in making its original order, took into consideration the transformer situation as a whole in its relation to the company's gross revenue, Mount Whitney company is not justified in refusing to purchase the equipment in such cases, and it should proceed at once to acquire all of the transformers which were owned by its consumers on May 1, 1916, regardless of any consideration of individual revenue.

4. Prices offered for types of transformers considered to be below standard.

On account of its unfortunate experience with certain types of transformers formerly in service on its system, Mount Whitney Power and Electric Company has felt that such equipment is not entirely applicable to the conditions which prevail on its system, and that it can not, therefore, offer to pay as much for such transformers as it should and has paid for equipment which is fully adequate under its operating conditions.

A consideration of the number of transformer failures in relation to the number of each type in service on the Mount Whitney company's system, together with a consideration of the internal design and insulation, has led Mount Whitney company to establish the following percentages upon a full present value which it is prepared to pay for standard transformers:

TABLE I.

Mount Whitney Company's Classification of Standard and Below Standard Types of Transformers.

General Electric	100 per cent
Fort Wayne	100 per cent
Stanley	100 per cent
Westinghouse	100 per cent
Allis-Chalmers, 1915 type.....	100 per cent
Allis-Chalmers, old type.....	50 per cent of standard value
Wagner	75 per cent of standard value
Crocker-Wheeler	75 per cent of standard value
Maloney	50 per cent of standard value
American	50 per cent of standard value
Kuhlman	50 per cent of standard value
Triumph	50 per cent of standard value

The commission does not believe that the welfare of the community served by the Mount Whitney company would be furthered if it were required to purchase equipment which is not properly suited to its operating conditions. It is realized, however, that consumers will meet with considerable difficulty in finding a market for second-hand transformers if these are not taken over by the Mount Whitney Company. Equipment of the types mentioned may be overhauled, and at some expense changed so that it can be operated under the conditions which obtain on this system, and it therefore is of some material value to the Mount Whitney company. Mount Whitney company should be permitted to continue to purchase transformers on the basis outlined above. Of course, any consumer who does not consider these prices to be satisfactory has the right to dispose of his transformers in any other manner in which he sees fit, whereupon Mount Whitney company will replace them with its own equipment for the continuance of his service.

Practically no complaint has come to our attention with regard to the prices which Mount Whitney company has paid its consumers for standard equipment, the same having been purchased on the basis of prices which Mount Whitney company would have to pay at the present time to replace it, less 5 per cent per annum depreciation for the period prior to May 1, 1916, during which the transformer has been in service.

II.

Effect of the Use of Maximum Demand Meters.**1. *Adjustment on the 94 per cent demand factor basis and effect of abnormal demands.***

The rates for agricultural service which became effective May 1, 1916, by virtue of this commission's order, provided that certain charges shall be based upon the rated capacity of the consumers' motors or other utilization equipment, and that in special cases where either the consumer or the company required the measurement of the actual demand, the rates which will then apply shall be greater than those based upon the rated capacity by the ratio of 100 to 94. In determining this rate, the commission took into account the relation between the sum of all maximum demands of agricultural plants on record and the rated capacity of the same plants. These demands were determined by tests taken once a year under normal running conditions at the consumer's plant, which was the only information available at the time the commission's decision was rendered. It appears now that the load which will be registered by a meter which records the average demand for the highest 15-minute period during each month, will, in general, be greater than the load shown by the former method of testing.

The readjustment on the basis of a 94 per cent demand factor appears to be incorrect when applied to the present method of determining maximum demands and should be discontinued. The order herein will provide that in the future the rates which now apply when based upon the connected load, will be the same per horsepower as when the load is measured by a demand indicating instrument.

2. *Time interval.*

One reason for the higher readings shown by the demand indicating meters is that they record the starting load on centrifugal pumps, which is materially greater than the running load due to the larger volume of water discharged before the head on the well is drawn down to normal. It has been suggested that this situation might be materially relieved by increasing the time interval over which the average demand is measured from 15 minutes to a one-hour period. Investigation of this suggestion shows that while this would somewhat reduce the demands taken on the centrifugal plants, it would not be of any material assistance to those where plunger pumps are in service, and even where it would afford some relief it would not fully eliminate the effect of starting loads.

I find also that there is considerable variation from month to month in the records shown by these demand meters, and that but very few

were actually installed prior to September, 1916. I find that sufficient information is not at present available as to the average annual operation of these meters, and am convinced that I would not be warranted in recommending any change in this time interval at present.

I desire to draw consumers' attention to the fact that with a little care in many instances they will be able to control their abnormal demands so that they will not materially increase the monthly charges. For instance, in starting a centrifugal pump if a valve is installed in the discharge pipe whereby the stream can be reduced during the starting period, the valve being gradually opened as the head on the well is reduced, the load can be prevented from exceeding that under normal running conditions. Similarly, in the case of use of plunger pumps for delivery of water to domestic tanks which are at a higher level than the original discharge for irrigation purposes, the demand may be kept down by not entirely filling such tanks at one operation, or in other words, creating a high demand for a full 15-minute period. In general, the time required to fill such tanks is not materially in excess of 15 minutes so that probably by spreading the operation over two such periods the demand could be kept within that resulting from the normal use of the plants for irrigating purposes.

A third cause of high demands which has been brought to our attention is that produced by the use of plunger pumps to deliver water to two or more different levels, in which event the load recorded by the meter is, of course, that produced by the delivery to the highest of these. I believe that in this case, however, it is entirely proper for the consumer to pay for the load so created, inasmuch as the same continues for a material period of time, and is that for which Mount Whitney company must maintain transformer, transmission and generating capacity.

3. Determination of demands where meters are not available.

Mount Whitney company has the option of installing demand meters at its own expense in cases where the actual load is materially in excess of the rated capacity. An analysis of the agricultural consumers on this system during the year 1915 indicates that a considerable percentage of the connected horsepower creates loads in excess of 100 per cent of the rated capacity. Due to the difficulty of obtaining meters of the demand type in the present market, Mount Whitney company has been unable to exercise its option in this regard. It is not fair to Mount Whitney company that it continue to lose the revenue to which it is entitled in these cases on account of a scarcity of meters, over which it has no control.

If Mount Whitney company takes a test under normal running conditions at the present time, and finds in any case that the demand factor is in excess of 100 per cent, and if in each such case it files with this commission notice of its intention to install a demand meter as soon as the same is available, and at the same time serves a similar notice upon the consumer advising him that until such meter is installed he has the right to demand a new test not oftener than once in three months without expense to himself, Mount Whitney company may, beginning with the date upon which such notice is filed, charge such consumer on the basis of the last demand test on record until the meter is actually installed, or until a new test is taken. The present rule which has been established informally, should continue to the effect that in the case where a consumer whose demand factor is lower than 100 per cent has requested and paid the fee for a demand meter, and where such a meter is not available, Mount Whitney company shall bill on the last demand test on record, provided that either the consumer or the company may require a new test at any time. To this rule should be added the provision that consumers of this class requiring tests oftener than once in two months shall bear the actual expense of the same.

III.

Classes of Service Not Economically Supplied Under Any of the Present Rates.

1. *Very short seasonal business.*

Certain consumers who require stand-by service to supplement water received from gravity systems, and others who do not require continuous service, such as those who pump for the irrigation of deciduous fruits, can not afford to operate under the present agricultural rates due to the high demand charges.

It appears that Mount Whitney company would be able to acquire a considerable amount of such business, which must now necessarily be served by gasoline engines or other similar motive power, if a more favorable rate were made available for such low load factor operation. I believe this situation can be taken care of by extending the application of Industrial Schedule No. 7, so that it will include agricultural service also, and this extension will be made by the order herein.

2. *Development period business.*

It has also been suggested that during the farmer's development period, while he is getting his land ready for cultivation, he is often not able to operate his plant to its full capacity, and that some more favorable rate should be made available under these circumstances. I believe that the application of Schedule No. 7 to this class of agricultural service will relieve this situation also.

IV.

Rights of Way.

1. *Rights of way granted prior to the commission's order of May 1, 1916.*

In regard to the subject of rights of way, the commission in its Decision No. 3242, at page 647, said:

"The agricultural power contracts of the Mount Whitney company all provide that the purchaser grants to the utility not merely the right to erect and maintain its lines to the consumer's motor, but also beyond the motor over the consumer's lands to the lands of other people. The consumer is thus compelled, as a condition of securing service for himself, to grant a property right in his land in connection with an entirely disconnected service to other people. This provision is unreasonable and should be eliminated in so far as it refers to a right of way beyond the consumer's own installation, or to a right of way to the consumer's installation extending beyond the use of the service by the consumer."

This order, of course, could not be made retroactive and could not therefore be considered to revoke the rights of way which had previously been exercised by Mount Whitney company and which are now occupied by pole lines serving its other consumers. Inasmuch, however, as such former grants were made in perpetuity, and were worded in general terms such that Mount Whitney company was given the right to at any time extend its lines beyond the consumer's plant and across his land in any direction to furnish service to other consumers, the question has been raised as to whether in the light of this commission's decision as above quoted, Mount Whitney company can in the future extend its lines in accordance with such rights of way. Mount Whitney company urges in this regard that such rights of way, even though they may not have been exercised in the past, have a very real value to it; that they were acquired for a valuable consideration; that they are covered by the company's trust deed and can not be released without the consent of the trustee; and that it is not within the jurisdiction of this commission to disturb such rights granted prior to May 1, 1916. I am convinced that Mount Whitney company's position in this regard has considerable merit. The company states, however, that it has always been its practice in exercising these rights to consult the property owner's convenience as to the location of its lines, so that they will cause a minimum of inconvenience to the property owner. It is the company's endeavor to construct such lines, wherever possible, along fence lines and in the most direct route possible.

2. *Rights of way acquired in connection with present and future extensions.*

In connection with the extensions of its lines across private property which have been constructed since May 1, 1916, Mount Whitney company has obtained rights of way from a number of consumers containing the following language:

"I, . . . , party of the first part, . . . do by these presents grant unto the Mount Whitney Power and Electric Company . . . a right of way for erecting, constructing, maintaining, removing, renewing, repairing and operating thereon poles and a pole line. . . . All for the transmission and distribution of electric current for lighting, power and other purposes . . . over and across certain real property situated in the county of -----, state of California, which right of way is described as follows, to wit: (Particular description of definite right of way) together with the right of ingress thereto and egress therefrom at all times for any and all such purposes."

The Tulare County Electric Users Association makes complaint against such forms of right of way on the ground that they constitute a permanent grant, and are therefore contrary to the intent of the commission's aforesaid decision to the effect that rights of way extending beyond the use of the service by the consumer are unreasonable, and should be eliminated from the agricultural power contracts of the Mount Whitney company. It is true in so far as the granting of such rights of way may have been made an absolute precedent to granting of service, that the same are contrary to the spirit of the commission's decision on this point. The question arises, however, as to whether the company must extend its lines on private property at its own expense, and this question must be considered in each individual case. Undoubtedly at this time the consumer has the right to refuse a right of way, whereupon it might be necessary for him under these conditions to build his own lines across his private property to the nearest highway to get service, in which case, of course, the company would not be interested in having a right of way across his private land, but if the company must put its installation on another man's land, and must extend that on to serve his neighbor, then, of course, there should be some protection for the investment of the company as well as for that of the neighbor.

I simply desire to point out some of the difficulties that might arise by making a general order in this regard. The commission has already ruled that the company can not require a right of way beyond the term of the contract, and that being the case, it is not logical or proper in all cases to require that the company, at its own expense, install lines on private property that it may be required to remove after a three-year period. There are cases where it would probably

be justified in doing so, and in such cases the consumer might refuse such right of way. There are many others where the company would not be so justified, whereupon the consumer, himself, would be called upon to bear a portion of the expense, at least, of building lines on his own property. Obviously if the line on private property is only intended to serve one particular consumer, the public is not interested in that line any further, because its purpose is merely to serve the individual and not the general public, but if the line can be maintained under some equitable arrangement as to a right of way, it might be that under certain conditions the cost of the joint service would be reduced. It is very necessary in these cases to have a mutual understanding between the company and the consumer as to the location of the lines, and as to whether or not they shall be left on private property indefinitely. The consumer will always have the option of building such lines at his own expense. The commission's order in this regard will still remain in effect, it being borne in mind, however, that there is nothing in that decision which would require the company to make, at its own expense, an unprofitable extension across the consumer's premises where it has no right of way to protect such investment.

V.

Other Modifications of Existing Rates and Rules.

Nearly a year's experience in the application of the schedule of rates and the rules and regulations established by the aforesaid decisions of the commission has indicated certain minor changes necessitating the revision of some of them. The recent establishment of certain large irrigation and reclamation projects in Mount Whitney company's territory has made it necessary to establish additional schedules to take care of this type of service. All schedules which should be revised appear in said Decision No. 3278 (Vol. 9, Opinions and Orders of the Railroad Commission, p. 788).

Schedule No. 1, General Domestic Lighting Rate, should be revised to read as follows:

SCHEDULE No. 1.

General Lighting Rate.

METERED SERVICE.

Applicable to all lighting installations and to small power and appliances used in connection with lighting service.

Service will normally be supplied single-phase at 110, 2-wire, 220 volts, 3-wire, at option of the company.

First 20 kilowatt hours per month per meter-----8 cents per kilowatt hour

Over 20 kilowatt hours per month per meter-----4 cents per kilowatt hour

Minimum monthly charge, 75 cents per meter for installations of 5 kilowatts capacity or less.

Minimum monthly charge, 75 cents per meter plus \$1.00 per kilowatt capacity or fraction thereof, for each kilowatt installed in excess of 5 kilowatts.

Schedule No. 2, General Commercial Lighting Rate, should be revised to read as follows:

SCHEDULE No. 2.

Optional Lighting Rate.

METERED SERVICE DEMAND BASIS.

Applicable to all lighting installations and to small power and appliances used in connection with lighting service.

Service will normally be supplied single-phase at 110 volts, 2-wire, 220 volts, 3-wire, at option of the company.

\$2.25 per month per kilowatt of measured maximum demand to which charge shall be added an energy charge of 1 cent per metered kilowatt hour for all electric energy consumed.

Minimum monthly bill, \$10.00.

Watt demand indicators and watt-hour meters will in all cases be installed and maintained by the company at its own expense under this rate.

Consumer's charge each month will be based on the average measured maximum demand during any period of fifteen minutes occurring in that month.

Schedule No. 4, Agricultural Service, Contract Flat Rates, should be revised by the elimination of reference to the readjustment on the basis of 94 per cent demand factor, and should be amplified by the addition of a clause as to its use for domestic purposes in connection with the installation of a demand meter, and also during the off-pumping season. This schedule should read as follows:

SCHEDULE No. 4.

Agricultural Service.

CONTRACT FLAT RATES.

Applicable to all agricultural or rural power and other service. Service will normally be supplied at 110 or 220 volts.

1 month's continuous service-----	\$7 00 per horsepower
2 months' continuous service-----	12 15 per horsepower
3 months' continuous service-----	16 45 per horsepower
4 months' continuous service-----	20 25 per horsepower
5 months' continuous service-----	23 65 per horsepower
6 months' continuous service-----	26 80 per horsepower
7 months' continuous service-----	29 75 per horsepower
8 months' continuous service-----	32 50 per horsepower
9 months' continuous service-----	35 10 per horsepower
10 months' continuous service-----	37 60 per horsepower
11 months' continuous service-----	40 00 per horsepower
12 months' continuous service-----	42 30 per horsepower

The above flat rates are based upon the connected load in motors or other utilization equipment, except lamps and devices for domestic service, which can be connected at any one time to the company's supply system. Under normal conditions meters will not be installed by the company on strictly flat rate business, but at the consumer's request demand indicating and watt-hour meters will be supplied at a charge of \$7.50 per year or fraction thereof and the flat rate charges will be based on the average measured maximum demand over a period of 15 minutes during each and every month in which service is furnished by the company.

Where a contract is made for twelve months' continuous service, and the consumer makes application and pays \$7.50 for each year or fraction thereof in advance for the installation of a demand indicating instrument and watt-hour meter, or where the company installs a demand indicating instrument and watt-hour meter in accordance with Rule No. 13 of the rules and regulations of this company, and his charge being based on the average measured maximum demand for a period of 15 minutes during each and every month in which service is furnished by the company, the consumer will be permitted the use of cooking and heating appliances, but not lighting.

In no event shall the monthly minimum charge be based on less than 50 per cent of the connected load. The minimum monthly bill under this portion of the rate will be the flat rate for one horsepower.

Where a contract is made for a seasonal period of not less than three months, at the expiration of said seasonal service or any extension thereof, the consumer will be supplied with current for all purposes for the remaining months of the year as follows:

First 20 kilowatt hours per month per meter.....8 cents per kilowatt hour
 Next 50 kilowatt hours per month per meter.....4 cents per kilowatt hour
 Over 70 kilowatt hours per month per meter.....2 cents per kilowatt hour
 Minimum monthly charge, 50 cents per horsepower, connected.
 Minimum monthly bill under this portion of the rate shall be \$1.00.

Similar changes should be made in Schedules No. 5, No. 6 and No. 6a, and they should now read as follows:

SCHEDULE No. 5.

Agricultural Service.

NONCONTRACT FLAT RATES.

Applicable to all agricultural or rural power and other service. Service will normally be supplied at 110 or 220 volts.

First month's service.....	\$7 00 per horsepower
Second month's service.....	5 15 per horsepower
Third month's service.....	4 30 per horsepower
Fourth month's service.....	3 80 per horsepower
Fifth month's service.....	3 40 per horsepower
Sixth month's service.....	3 15 per horsepower
Seventh month's service.....	2 95 per horsepower
Eighth month's service.....	2 75 per horsepower
Ninth month's service.....	2 60 per horsepower
Tenth month's service.....	2 50 per horsepower
Eleventh month's service.....	2 40 per horsepower
Twelfth month's service.....	2 30 per horsepower

The consumer taking service under these rates will be required to pay for the cost of the initial service connection and also the cost of any subsequent disconnections or reconnections made at his request.

The above flat rates are based upon the connected load in motors or other utilization equipment, except lamps and devices for domestic service, which can be connected at any one time to the company's supply system. Under normal conditions meters will not be installed by the company on strictly flat rate business but at the consumer's request demand indicating and watt-hour meters will be supplied at a charge of \$7.50 per year or fraction thereof and the flat rate charges will be based on the average measured maximum demand over a period of 15 minutes during each and every month in which service is furnished by the company.

In no event shall the monthly minimum charge be based on less than 50 per cent of the connected load. The minimum monthly bill under these rates for an installation of less than one horsepower will be the flat rate for one horsepower.

SCHEDULE No. 6.**Agricultural Service.****METER RATES.**

Applicable to all agricultural or rural power and other service. Service will normally be supplied at 110 or 220 volts.

Contract Basis.

Demand charge for 3 months' or less continuous service_	\$9 80	per horsepower
Demand charge for 4 months' continuous service.....	11 75	per horsepower
Demand charge for 5 months' continuous service.....	13 45	per horsepower
Demand charge for 6 months' continuous service.....	15 00	per horsepower
Demand charge for 7 months' continuous service.....	16 40	per horsepower
Demand charge for 8 months' continuous service.....	17 70	per horsepower
Demand charge for 9 months' continuous service.....	18 90	per horsepower
Demand charge for 10 months' continuous service.....	20 00	per horsepower
Demand charge for 11 months' continuous service.....	21 05	per horsepower
Demand charge for 12 months' continuous service.....	22 05	per horsepower

To demand charge, which is payable in equal monthly installments, shall be added the following energy charge:

Energy charge, \$0.005 per kilowatt hour.

The demand charges under this schedule are based on the connected load in motors or other utilization equipment except lamps and devices for domestic service, which can be connected at any one time to the company's supply system, and the meters regularly supplied are of the recording watt-hour type. At the consumer's request, however, the company will furnish and install demand indicating instruments at a rate of \$3.00 per year or fraction thereof, and the demand charge will be based on the average measured maximum demand for a period of 15 minutes during each and every month in which service is furnished by the company.

In no event shall the monthly minimum charge be based on less than 50 per cent of the connected load. The minimum monthly bill will be the demand charge for one horsepower.

Where a contract is made for twelve months continuous service, and the consumer makes application and pays \$3.00 for each year or fraction thereof in advance for the installation of a demand indicating instrument and watt-hour meter, or where the company installs a demand indicating instrument and watt-hour meter in accordance with Rule No. 13 of the rules and regulations of this company, and his charge being based on the average measured maximum demand for a period of 15 minutes during each and every month in which service is furnished by the company, the consumer will be permitted the use of cooking and heating appliances but not lighting.

Where a contract is made for a seasonal period of not less than three months, at the expiration of said seasonal service or any extension thereof, the consumer will be supplied with current for all purposes for the remaining months of the year as follows:

First 20 kilowatt hours per month per meter.....	8 cents	per kilowatt hour
Next 50 kilowatt hours per month per meter.....	4 cents	per kilowatt hour
Over 70 kilowatt hours per month per meter.....	2 cents	per kilowatt hour

Minimum monthly charge, 50 cents per horsepower, connected.

Minimum monthly bill under this portion of the rate shall be \$1.00.

SCHEDULE No. 6A.**Agricultural Service.****METER RATES.**

Applicable to all agricultural or rural power and other service limited only by the demand upon the company's system. Service will normally be supplied at 110 or 220 volts.

Noncontract Basis.

Demand charge for first month's service.....	\$4 50 per horsepower
Demand charge for second month's service.....	3 00 per horsepower
Demand charge for third month's service.....	2 30 per horsepower
Demand charge for fourth month's service.....	1 95 per horsepower
Demand charge for fifth month's service.....	1 70 per horsepower
Demand charge for sixth month's service.....	1 55 per horsepower
Demand charge for seventh month's service.....	1 40 per horsepower
Demand charge for eighth month's service.....	1 30 per horsepower
Demand charge for ninth month's service.....	1 20 per horsepower
Demand charge for tenth month's service.....	1 10 per horsepower
Demand charge for eleventh month's service.....	1 05 per horsepower
Demand charge for twelfth month's service.....	1 00 per horsepower

To the demand charge shall be added the following energy charge:

Energy charge, \$0.005 per kilowatt hour.

The consumer taking service under noncontract rates will be required to pay for the cost of the initial service connection and also the cost of any subsequent disconnections or reconnections made at his request.

The demand charges under this schedule are based on the connected load in motors or other utilization equipment, except lamps and devices for domestic service, which can be connected at any one time to the company's supply system, and the meters regularly supplied are of the recording watt-hour type. At the consumer's request, however, the company will furnish and install demand indicating instruments at a rate of \$3.00 per year or fraction thereof, and base the demand charge upon the average measured maximum demand over a period of 15 minutes during each and every month in which service is furnished by the company, but in no event shall the charge be based on less than 50 per cent of the connected load.

The minimum bill for an installation less than one horsepower will be the demand charge for one horsepower.

It appears to be advisable under certain conditions to make the general power rates interchangeable, and also to make Schedule No. 7, the general power metered rate, applicable to agricultural service. Schedules No. 7, No. 8 and No. 8a will, therefore, be revised as follows:

SCHEDULE No. 7.**General Power Rate.****METERED SERVICE.**

Applicable to all agricultural and general power installations. Service will normally be supplied at 110 or 220 volts.

Four cents per kilowatt hour for first 200 kilowatt hours consumed during any month.

Two cents per kilowatt hour for all energy used during any month in excess of 200 kilowatt hours.

MINIMUM CHARGES.

For continuous industrial service supplied from secondary distribution system, \$1.00 per month per horsepower, connected.

For Seasonal Industrial Service.

Each month of a 3-months period-----	\$3 25 per horsepower, connected
Each month of a 4-months period-----	2 50 per horsepower, connected
Each month of a 5-months period-----	2 05 per horsepower, connected
Each month of a 6-months period-----	1 75 per horsepower, connected
Each month of a 7-months period-----	1 55 per horsepower, connected
Each month of a 8-months period-----	1 25 per horsepower, connected
Each month of a 9-months period-----	1 25 per horsepower, connected
Each month of a 10-months period-----	1 15 per horsepower, connected
Each month of a 11-months period-----	1 05 per horsepower, connected
Each month of a 12-months period-----	1 00 per horsepower, connected
For all service supplied from rural lines, \$12.00 per year or fraction thereof per horsepower, connected.	

MINIMUM BILL.

Minimum monthly bill where service is supplied from secondary distribution systems, \$1.00 per month per meter.

Minimum seasonal bill, the equivalent of the minimum charge for 3 months' service for one horsepower.

Minimum bill for service supplied from rural lines, \$30.00 per meter.

SCHEDULE No. 8.**Industrial Power Rates.****METERED SERVICE.**

Applicable to all classes of power installations not otherwise specifically provided for in separate schedules. Service will normally be supplied at 110 or 220 volts.

\$1.50 per month per horsepower connected to which charge shall be added an energy charge of one-half ($\frac{1}{2}$) cent per kilowatt hour for all electric energy supplied.

Minimum monthly bill, \$5.00.

Where the demand charge is based on the connected load ordinary recording watt-hour meters are regularly supplied by the company. At the consumer's request, however, demand indicating instruments will be supplied at an additional charge of 25 cents per month, in which case the rate will be based on the average measured maximum demand over a period of 15 minutes during each and every month in which service is furnished by the company, and the demand charge will be readjusted on the basis of 79 per cent demand factor.

If the installation remains connected to the company's system during only a portion of the year, the monthly minimum charge during each month of such period shall be as follows:

Each month of a 3-months period-----	\$3 25 per horsepower, connected
Each month of a 4-months period-----	2 50 per horsepower, connected
Each month of a 5-months period-----	2 05 per horsepower, connected
Each month of a 6-months period-----	1 75 per horsepower, connected
Each month of a 7-months period-----	1 55 per horsepower, connected
Each month of a 8-months period-----	1 40 per horsepower, connected
Each month of a 9-months period-----	1 25 per horsepower, connected
Each month of a 10-months period-----	1 15 per horsepower, connected
Each month of a 11-months period-----	1 05 per horsepower, connected
Each month of a 12-months period-----	1 00 per horsepower, connected

SCHEDULE No. 8-A.

Industrial Power Rates.

METERED SERVICE.

Applicable to all classes of power installations not otherwise specifically provided for in separate schedules. Service will normally be supplied at 110 volts or 220 volts.

\$2.50 per month per kilowatt of measured maximum demand, to which charge shall be added an energy charge of four-tenths of one cent (\$.004) per kilowatt hour for all energy supplied.

Minimum monthly bill to be based on 50 per cent of the connected load and in no event to be less than \$20.00.

Watt demand indicators and watt-hour meters will in all cases be installed and maintained by the company at its own expense under this rate.

Consumers' charge will be based on the average measured maximum demand over a period of 15 minutes during each and every month in which service is furnished by the company.

If the installation remains connected to the company's system during only a portion of the year, the monthly minimum charge during each month of such period shall be as follows:

Each month of a 3-months period.....	\$3 25 per horsepower, connected
Each month of a 4-months period.....	2 50 per horsepower, connected
Each month of a 5-months period.....	2 05 per horsepower, connected
Each month of a 6-months period.....	1 75 per horsepower, connected
Each month of a 7-months period.....	1 55 per horsepower, connected
Each month of a 8-months period.....	1 40 per horsepower, connected
Each month of a 9-months period.....	1 25 per horsepower, connected
Each month of a 10-months period.....	1 15 per horsepower, connected
Each month of a 11-months period.....	1 05 per horsepower, connected
Each month of a 12-months period.....	1 00 per horsepower, connected

In addition to Schedule No. 9, Schedules No. 9a and No. 9b will be added for the accommodation of reclamation districts and other classes of service of a similar nature.

SCHEDULE No. 9-A.

Special Optional Development Rate—Contract Irrigation Service Only.

Applicable to irrigation districts and similar service where the aggregate installed capacity of all the plants of the consumer equals or exceeds 1,000 horsepower, provided that the average installed capacity of all the separate plants equals or exceeds 100 horsepower, and provided, further, that no installation requiring a separate delivery point is less than 30 horsepower.

Energy to be delivered and metered at 2,200 volts or 440 volts.

\$2.70 per month per kilowatt of measured maximum demand, to which charge shall be added an energy charge of one-quarter ($\frac{1}{4}$) cent per kilowatt hour for all energy supplied.

DEVELOPMENT PERIOD.		
Period	Minimum annual charge per kilowatt installed, five-year contract	Minimum annual charge per kilowatt installed, eight-year contract
First year -----	\$6 00	*
Second year -----	9 00	\$6 00
Third year -----	12 00	9 00
Fourth year -----	15 00	12 00
Fifth year -----	18 00	15 00
Sixth year -----		18 00
Seventh year -----		18 00
Eighth year -----		18 00
Average -----	\$12 00	\$12 00

*No minimum charge.

Minimum charge after contract period, \$12.00 per year per kilowatt of installation.

The above rate, including a development period, will be supplied only under contract for the full period required to obtain an average minimum charge of \$12.00 per kilowatt per year.

SCHEDULE No. 9-B.

Special Optional Development Rate—Contract Irrigation Service Only.

Applicable to irrigation districts and similar service where the aggregate installed capacity of all the plants of the consumer equals or exceeds 1,000 horsepower; provided that the average capacity of all of the separate plants equals or exceeds 100 horsepower, and provided, further, that no installation requiring a separate delivery point is less than 30 horsepower.

Energy to be delivered and metered at 2,200 volts or 440 volts.

\$2.70 per month per kilowatt of measured maximum demand to which charge shall be added an energy charge of one-quarter ($\frac{1}{4}$) cent per kilowatt hour when the annual minimum charge is \$12.00 per kilowatt per year.

DEVELOPMENT PERIOD.

During the development period which shall not exceed three years, a minimum guarantee of less than \$12.00 per kilowatt per year of installed capacity may be selected by the consumer, in which event the energy charge shall be as follows:

Annual minimum,	\$11.00 per kilowatt, energy charge,	\$.00275 per kilowatt hour.
Annual minimum,	10.00 per kilowatt, energy charge,	.00300 per kilowatt hour.
Annual minimum,	9.00 per kilowatt, energy charge,	.00325 per kilowatt hour.
Annual minimum,	8.00 per kilowatt, energy charge,	.00375 per kilowatt hour.
Annual minimum,	7.00 per kilowatt, energy charge,	.00400 per kilowatt hour.
Annual minimum,	6.00 per kilowatt, energy charge,	.0045 per kilowatt hour.
Annual minimum,	5.00 per kilowatt, energy charge,	.0048 per kilowatt hour.
Annual minimum,	4.00 per kilowatt, energy charge,	.0053 per kilowatt hour.
Annual minimum,	3.00 per kilowatt, energy charge,	.00585 per kilowatt hour.
Annual minimum,	2.00 per kilowatt, energy charge,	.0064 per kilowatt hour.
Annual minimum,	1.00 per kilowatt, energy charge,	.0071 per kilowatt hour.
No minimum,		.0078 per kilowatt hour.

A contract for not less than three times the development period selected will be required in all cases where service is supplied under this schedule.

Rule No. 7, "Maximum Demand Rates and Meter Charges," as it now appears in the Mount Whitney company's rate schedules on file with the Railroad Commission, should be revised to read as follows:

No. 7.

Maximum Demand Rates and Meter Charges.

In all cases, where the rate is based upon the measured maximum demand of any motor installation as distinguished from the connected load, the measured maximum demand for which the company will charge the consumer under the said rate will be the greatest average demand delivered and registered during any 15-minute interval, during each and every month in which service is furnished by the company, provided that in no event shall any such charge be based on less than 50 per cent of the rated capacity of any single motor installation. If during any month, however, no maximum demand measurement is indicated by the meter or meters for such purpose, and such nonregistration is due to the failure of such meters, then the maximum demand to be used by the company in computing the consumer's bill for any such month shall be the next previous maximum demand used. Whenever any consumer entitled thereto requests the company to install any demand indicating and watt-hour meter or meters, such request shall be in writing on a blank form therefor to be furnished by the company, and the charge to be made for such installation for the first year or fraction thereof shall be paid by the consumer to the company prior to such installation, and each subsequent charge therefor per year or fraction thereof shall be paid by the consumer in advance. All demand indicating and watt-hour meters will be read by the company at least once each month.

Any other rules and regulations which Mount Whitney company now has in effect, and which are contradictory to any of the provisions of the order herein, should be revised accordingly and refiled by Mount Whitney company.

I submit the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, and the same having been submitted and being now ready for decision, the Railroad Commission makes the following findings of fact:

(1) The Railroad Commission finds that the rates, rules, regulations, contracts and practices of Mount Whitney Power and Electric Company are unjust and unreasonable in so far as they differ from the rates, rules, regulations, contracts and practices found to be just and reasonable in the opinion which precedes this order.

(2) The Railroad Commission hereby finds that the rates, rules, regulations, contracts, practices and acts to be performed by Mount Whitney Power and Electric Company as set forth in the opinion which precedes this order are just and reasonable rates, rules, regulations, contracts, practices and acts to be established, charged, collected, enforced and performed by Mount Whitney Power and Electric Company.

Basing its order on the foregoing findings of fact and on each statement of fact contained in the opinion which precedes this order,

It is hereby ordered that Mount Whitney Power and Electric Company be and the same is hereby ordered and directed to establish and file with the Railroad Commission on or before May 20, 1917, the rates, rules, regulations, contracts and practices set forth in the opinion which precedes this order, and that Mount Whitney Power and Electric Company be and the same is hereby ordered and directed to perform each act which the opinion which precedes this order states should be performed by it.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4301.

IN THE MATTER OF THE APPLICATION OF EAGLE ROCK WATER COMPANY TO CONVEY CERTAIN REAL PROPERTY AND OF P. F. SCHUMACHER ET AL. TO ACQUIRE THE SAME.

Application No. 2840.

Decided May 8, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

It appearing that the application herein is for authority to transfer and acquire certain real property not used nor useful in the public utility service, and it appearing therefore that this commission has no jurisdiction over such transfer of property,

It is hereby ordered that this application be and it is hereby dismissed.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4302.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES
GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE
BONDS.

Application No. 2542.

Decided May 8, 1917.

Applicant authorized to issue \$46,000.00 face value of its 5½ per cent first mortgage twenty-year bonds, to be sold at not less than 93½, proceeds to be used for the purpose of discharging accounts payable as listed in exhibits filed with the commission.

Hunsaker & Britt and Leroy M. Edwards, by Leroy M. Edwards, for Applicant.

LOVELAND, *Commissioner.*

SIXTH SUPPLEMENTAL ORDER.

Whereas on October 2, 1916, this commission authorized Southern Counties Gas Company of California, to issue \$370,000.00 face value of its first mortgage five and one-half (5½) per cent bonds due May 1, 1936; and

Whereas said Decision No. 3748 authorized the applicant to issue forthwith \$85,000.00 of said \$370,000.00 face value of bonds and to issue the balance thereof on supplemental orders from this commission; and

Whereas the applicant has now filed its seventh supplemental application herein requesting authority to issue an additional \$46,000.00 of said \$370,000.00 of bonds; and

Whereas the applicant in exhibits heretofore filed in connection with this application, and in Exhibit "A" filed in connection with this seventh supplemental application, has presented a statement of additions and betterments made to its plant and system during the period from September 1, 1916, to March 31, 1917, in the sum of \$341,179.50; and

Whereas under the terms of applicant's mortgage and deed of trust it may issue bonds up to eighty (80) per cent of the cost of such additions and betterments, or to the amount of \$272,943.60; and

Whereas the applicant has to date been granted authority to issue and has issued against such additions and betterments bonds in the sum of \$226,500.00; and

Whereas the applicant therefore has constructed additions and betterments against which it may now properly issue \$46,000.00 additional bonds; and

Whereas the applicant has satisfied the earning requirements of its deed of trust in that its net earnings for the twelve months ending March 31, 1917, amounted to \$254,009.45, thereby exceeding one and one-half times the annual interest on its bonds now outstanding, plus the interest on the bonds proposed to be issued, or the sum of \$235,743.75; and a hearing having been held, and it appearing that the money and property to be procured by the applicant through the issue of bonds herein authorized is reasonably required for the purposes specified in the order herein; and it appearing further that the purposes for which it is proposed to issue said bonds are not in whole or in part reasonably chargeable to operating expenses or income,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby granted authority to issue \$46,000.00 face value of its first mortgage 5½ per cent twenty-year bonds, said bonds being a part of the \$370,000.00 face value of bonds heretofore authorized to be issued in Decision No. 3748 heretofore referred to.

The authority herein granted to issue \$46,000.00 face value bonds is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be sold so as to net the applicant not less than ninety-three and one-half (93½) per cent of their face value, plus accrued interest thereon, in cash.

2. The proceeds derived from the sale of said \$46,000.00 face value of bonds shall be issued to reimburse applicant for expenditures for additions and betterments, the moneys to be applied on applicant's notes and accounts payable as reported to this commission in Exhibits Nos. 1 and 2 filed on May 3, 1917, in re seventh supplemental application under Application No. 2542.

3. Southern Counties Gas Company of California shall keep separate, true and accurate accounts showing the receipts and application in detail of the proceeds of the sale of bonds herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in section 57 of the Public Utilities Act.

5. The authority herein granted shall apply to such bonds as shall have been issued on or before December 31, 1917.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighth day of May, 1917.

DECISION No. 4303.

IN THE MATTER OF THE APPLICATION OF LOMPOC WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 2068.

Decided May 9, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas this commission in Decision No. 3204, dated March 29, 1916 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 430), authorized the applicant herein to issue 38,700 shares of its capital stock of the par value of \$1.00 per share in lieu of a like amount of stock theretofore issued without authority from this commission; and

Whereas the authority granted by said order expired on October 31, 1916; and

Whereas applicant has now represented to this commission that all of said stock was issued prior to said date, except 1,300 shares; and

Whereas applicant has further represented to this commission that since said date it has inadvertently issued 50 shares of said stock to one George M. Thomas; and

Whereas applicant has asked this commission for an extension of time within which to issue stock under the authority of said Decision No. 3204,

It is hereby ordered that Lompoc Warehouse Company be and it is hereby authorized to issue 50 shares of its capital stock to George M. Thomas in exchange for and upon cancellation of a like number of shares heretofore illegally issued.

It is hereby further ordered that the time within which applicant may issue the balance of the stock remaining unissued under Decision No. 3204 be and it is hereby extended to and including October 31, 1917.

Dated at San Francisco, California, this ninth day of May, 1917.

DECISION No. 4304.

IN THE MATTER OF THE APPLICATION OF TIDEWATER SOUTHERN RAILWAY COMPANY FOR AN ORDER PERMITTING THE ABANDONMENT OF SERVICE AND TRACKS OF SAID COMPANY FROM PILGRIM AND TAYLOR STREETS IN THE CITY OF STOCKTON, SOUTHERLY A DISTANCE OF APPROXIMATELY 24,200 FEET TO A POINT NEAR THE WEST LINE OF SECTION 38, OF THE C. M. WEBER GRANT, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

Application No. 2603.

Decided May 9, 1917.

Applicant having entered into an agreement with the Western Pacific Railroad Company covering the construction of a connecting track at the station of Ortega, over which line and the line of the Stockton Electric Railway it will enter the city of Stockton, it is authorized to abandon approximately 24,000 feet of trackage over which it at present operates, provided that such trackage shall not be abandoned until the proposed connection has been completed and is ready for operation.

A. L. Levinsky, for Applicant.

Eugene D. Sullivan, for California Home Erectors, Protestants.

GORDON, *Commissioner*.

OPINION.

This is an application of Tidewater Southern Railway Company for an order of this commission permitting the abandonment of service and the removal of the track from a point at the intersection of Pilgrim and Taylor streets in the city of Stockton, southerly a distance of approximately 24,200 feet to a point near the west line of section 38 of the C. M. Weber Grant, county of San Joaquin. The company proposes a new entrance into the city of Stockton by the construction of a connection with the tracks of the Western Pacific Railroad at a point approximately 600 feet south of the Western Pacific Railroad station of Ortega, thence over the tracks of the Western Pacific Railroad a distance to approximately two miles to the south limits of the city of Stockton, thence over the tracks of the Western Pacific Railroad to a point near the intersection of Mormon avenue and Sutter street in the city of Stockton, thence over the tracks of the Stockton Electric Railroad Company to the terminal of the applicant in the said city of Stockton.

Protests were received from property owners affected by the requested abandonment of service and removal of track.

Public hearings were held at Stockton on November 22, 1916, and at San Francisco on January 29, 1917, the application was submitted and is now ready for decision.

The present route over which the Tidewater Southern Railway enters the city of Stockton is over a private right of way on the easterly side of Sharp's lane to South street (the old city limits of the city of Stockton), thence northerly on Pilgrim street a distance of six blocks to Taylor street, thence over the tracks of the Central California Traction Company and the Stockton Electric Railroad Company to Weber avenue and El Dorado street.

The operation over the tracks of the Central California Traction Company and the Stockton Electric Railroad Company has been conducted under an agreement which latter has expired according to its terms and the present use of the tracks is by sufferance only and such use is liable to be terminated at any time. Franchise requirements imposed by the ordinances of the city of Stockton permit the handling of freight cars over the portion of the line operated jointly by the Tidewater Southern Railway Company, Central California Traction Company and Stockton Electric Railroad Company, only between the hours of 12 midnight and 7.00 a.m.

The proposed new route entering Stockton will enable the handling of freight cars at all hours and by reason of the interchange of carloads with the Western Pacific Railroad at the station of Ortega many cars will not require handling through the city streets of Stockton but will be expedited in reaching their destination by being delivered to the Western Pacific Railroad at the above-mentioned connection. Carloads intended for delivery to the Southern Pacific Company, the Atchison, Topeka and Santa Fe Railway Company, the Central California Traction Company, to the Stockton waterfront for transfer to river steamers or for local delivery at Stockton will all be expedited as to handling in that delivery may be made at any time and is not restricted to a limited period after midnight.

The revenue derived from the portion of the line sought to be abandoned by reason of the new route entering the city of Stockton has been nominal, the passenger revenue for the months of August, September and October, 1916, showing the following data:

Station	August, 1916	September, 1916	October, 1916	Total
Ladd -----	\$7 68	\$13 16	\$12 77	\$33 61
Ulrich -----	1 40	2 10	2 30	5 80
South street, Stockton-----	14 00	9 40	11 45	34 85
	\$23 08	\$24 66	\$26 52	\$74 26

The number of passengers carried during the three months ending October 31, 1916, between the stations of Stockton; South street, Stockton; Ladd and Ulrich, were as follows:

August, 1916	377
September, 1916	365
October, 1916	438
Total	1,180

The proposed new method of entry of the Tidewater Southern Railway into the city of Stockton in addition to facilitating the handling of freight will reduce the passenger schedule between the cities of Stockton and Modesto by approximately ten minutes.

The principal protestants against the granting of this application were the California Home Erectors, a corporation, owning a subdivision south of the old city limits of Stockton and west of Sharp's lane. Consideration has been given to the needs of the property owners along the line of road proposed to be abandoned, especially such as are located within the city limits of the city of Stockton, and as suggested at one of the hearings on this application, an adjustment was proposed whereby the track now laid on Pilgrim street from Taylor street to South street and for a distance of one mile southerly from South street on the private right of way adjacent to Sharp's lane should be allowed to remain together with the overhead electrical equipment and that such track be leased to the California Home Erectors, a corporation, on terms to be hereafter approved by this commission upon the presentation of an agreement of lease as stipulated between the applicant and the protestants at the hearing. The parties in interest have not agreed upon the terms of the proposed lease, although every assistance has been given by the commission toward the formulation of an agreement that would be equitable in its terms as regards both the applicant and the protestants.

In view of the benefits to be derived by shippers and patrons of the applicant, Tidewater Southern Railway Company, by reason of the new method of access to the city of Stockton as hereinabove outlined, I am of the opinion that this application should be granted.

I recommend the following form of order:

ORDER.

Tidewater Southern Railway Company having applied to this commission for an order authorizing the abandonment of service and removal of track from a point at the intersection of Pilgrim and Taylor streets in the city of Stockton, thence southerly along said Pilgrim to South street in the city of Stockton, thence along private right of way just east of Sharp's lane to a point near the west line of section 38 of

the C. M. Weber Grant, county of San Joaquin, a distance of approximately 24,200 feet; public hearings having been held, the matter having been duly submitted and the commission being fully advised in the premises,

It is hereby ordered that this application be and the same is hereby granted, subject to the following condition:

That applicant, Tidewater Southern Railway Company, may abandon service on the line covered by this application and may remove its tracks whenever a track connection will have been made with the line of the Western Pacific Railroad Company at or near the station of Ortega and regular service will have been established to and from the city of Stockton via the joint tracks of the Western Pacific Railroad and the line of the Stockton Electric Railroad.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this ninth day of May, 1917.

DECISION No. 4305.

IN THE MATTER OF THE APPLICATION OF THE KENWOOD RURAL
TELEPHONE COMPANY FOR AUTHORITY TO REVISE ITS FARMER
LINE RATES.

Application No. 2822.

Decided May 9, 1917.

Applicant, operating a small telephone exchange in and adjacent to the town of Kenwood, Sonoma County, applies for permission to put into effect an increased schedule of rates for farmer line service, and it appearing that proposed schedule would not affect any of its present subscribers, that it has had none, nor does it contemplate, any application for such service, and that its present revenues are satisfactory, petition denied.

Milo S. Baker and *S. A. Whipple*, for Appellant.

GORDON, Commissioner.

OPINION.

Kenwood Rural Telephone Company, applicant in this proceeding, owns and operates a small telephone system in the town of Kenwood and vicinity, in Sonoma County. Its present rates for patrons who are

located within one-half mile of its central office, as filed with the Railroad Commission, are as follows:

	Wall	Desk
Business—		
1-party -----	\$2 50	\$2 75
2-party -----	2 00	2 25
Extension set -----	1 00	1 00
Residence—		
1-party -----	\$2 00	\$2 25
2-party -----	1 75	2 00
4-party -----	1 50	1 75
Extension set -----	1 00	1 00

For patrons whose premises are located beyond one-half mile from the central office, one-, two-, or four-party service may be had upon the payment of mileage charges in addition to the rates applying within the one-half mile radius for these classes of service. The present schedule further provides for rates for "suburban" and "farmer line" service beyond the one-half mile radius for those patrons who may prefer these classes of service, as follows:

Suburban, 5- to 10-party, \$1.50 per month.

Farmer line, for a minimum of 5 telephones to one line, \$3.00 per year per telephone; minimum charge for 5 telephones or less, \$15.00 per year.

Applicant urges that this rate of \$3.00 per year is insufficient to meet the cost of operation and seeks authority to charge the following rates for farmer line service, other rates to remain as at present:

Number of telephones per line	Annual rate per telephone
1 -----	\$15 00
2 -----	10 50
3 -----	9 00
4 -----	8 25
5 -----	7 80
6 -----	7 50
7 -----	7 30
8 -----	7 10
9 -----	7 00
10 -----	6 90

The proposed rates are based upon the assumption that the cost of operation is at present \$6.00 per telephone and that, since the present rate for a line having but one telephone connected is \$15.00 per year, \$6.00 should be added to this rate for each telephone connected in excess of the first and the sum divided equally between the total telephones connected to the line.

It appears that at the time of drawing up this application it was costing the applicant approximately the amount claimed in operators' wages per telephone, considering the total number of telephones connected with the exchange. It was not shown, however, that with an increase in connected telephones the cost per telephone for operation would increase at this ratio, nor would it do so.

Applicant has stated that none of the present farmer line patrons would be affected if the proposed rates were authorized; that there have been no applications for this service, and that so far as it now knows none are contemplated, but that it is desired to have authority to charge these rates in the event of a demand for the service. It is also admitted, so far as present revenue is concerned, that conditions are satisfactory and that higher rates are not desired.

The rates herein asked for are very much in excess of the rates now being charged for similar service in other similar exchanges in California, and in my opinion the application should be denied.

The following order is recommended.

ORDER.

Kenwood Rural Telephone Company having applied to the Railroad Commission for authority to revise its rates for farmer line service, and a hearing having been held, and it appearing to the commission, as set forth in the preceding opinion, that the application should be denied,

It is hereby ordered that the application herein be and it is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this ninth day of May, 1917.

DECISION No. 4306.

**IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON
POWER COMPANY FOR AN ORDER FIXING RATES FOR SERVICE
TO PACIFIC IMPROVEMENT COMPANY AT CASTLE CRAGS RESORT.**

Application No. 2870.

Decided May 9, 1917.

ORDER OF DISMISSAL.

BY THE COMMISSION.

Applicant in the proceeding entitled as above having made written request that the action be dismissed,

It is hereby ordered that the same be and it is hereby dismissed without prejudice.

Dated at San Francisco, California, this ninth day of May, 1917.

DECISION No. 4307.

R. H. THURMOND ET AL.

vs.

SANTA BARBARA TELEPHONE COMPANY.

Case No. 1069.

Decided May 10, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Santa Barbara Telephone Company having agreed with complainants to extend the area within which no mileage charges shall be applicable from one mile to one and one-quarter miles from the company's central office, and that the mileage charges which are at present applied to those subscribers whose premises are located between one and one-quarter miles from the company's central office shall be eliminated, and the complainants having notified the commission that this agreement constitutes a satisfaction of the complaint, and the complainants further having in view this agreement requested that the complaint be dismissed,

It is hereby ordered that the complaint herein be and the same hereby is dismissed.

Dated at San Francisco, California, this tenth day of May, 1917.

DECISION No. 4308.

IN THE MATTER OF THE APPLICATION OF MOUNTAIN LIGHT AND WATER COMPANY AND BROOKDALE LAND CORPORATION TO TRANSFER CERTAIN PROPERTY.

Application No. 1940.

Decided May 10, 1917.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California, by Decision No. 2958, dated December 4, 1915 (Opinions and Orders of the Railroad Commission of California, Volume 8, page 615), authorized applicant in the above-entitled matter, among other things, to issue twenty-five thousand (25,000) dollars par value of its capital stock on or before May 1, 1916; and

Whereas applicant in its supplemental application, filed with the commission on May 5, 1917, reports that it has received from the purchasers of said stock prior to May 1, 1916, the full consideration

therefor, but has through inadvertence failed to issue the stock until after May 1, 1916; and

Whereas applicant asks authority to issue twenty-five thousand (25,000) dollars par value of stock in lieu of stock heretofore issued without authority from this commission; and good cause appearing,

It is hereby ordered that Mountain Light and Water Company be given authority and it is hereby given authority to issue twenty-five thousand (25,000) dollars par value of its capital stock, provided that the stock herein authorized to be issued shall be issued only in exchange for and upon cancellation of a like amount of capital stock heretofore issued without authority from this commission.

It is hereby further ordered that the authority herein granted to issue stock shall apply only to such stock as may be issued on or before August 1, 1917.

It is hereby further ordered that Decision No. 2958, dated December 4, 1915, as amended, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this tenth day of May, 1917.

DECISION No. 4309.

IN THE MATTER OF THE INSTALLATION OF SWITCH LIGHTS ON
MAIN LINE SWITCHES OF PETALUMA AND SANTA ROSA RAILWAY
COMPANY.

Case No. 1067.

Decided May 10, 1917.

1. The operation of trains over the lines of respondent company does not materially differ from the operation of all other interurban electric lines within the state of California, all of which are equipped with switch lights on all facing point main line switches. The installation and maintenance of switch lights will not be a serious burden upon the financial condition of respondent, but will, in fact, become an insurance against accident and will facilitate the operation of night trains.
2. Respondent required to equip, within sixty days, all main line switches with switch lamps for the purpose of giving indication as to the position of switches during the hours of darkness, and to maintain the same until further order of the commission.

E. H. Maggard, for Petaluma and Santa Rosa Railway Company.

GORDON, *Commissioner*.

OPINION.

This proceeding was brought on the Railroad Commission's initiative under the provisions of section 42 of the Public Utilities Act, which section provides as follows:

"SEC. 42. The commission shall have power, after a hearing had upon its own motion or upon complaint, by general or special

orders, rules or regulations, or otherwise, to require every public utility to construct, maintain and operate its line, plant, system, equipment, apparatus, tracks and premises in such manner as to promote and safeguard the health and safety of its employees, passengers, customers, and the public, and to this end to prescribe, among other things, the installation, use, maintenance and operation of appropriate safety or other devices or appliances, including interlocking and other protective devices at grade crossings or junctions and block or other systems of signalling, to establish uniform or other standards of construction and equipment, and to require the performance of any other act which the health or safety of its employees, passengers, customers or the public may demand."

A public hearing was held at San Francisco on May 3, 1917, the matter was duly submitted and is now ready for decision.

Recommendations having been made by the service department of the commission that switch lamps be installed on all main line switches of the Petaluma and Santa Rosa Railway, and a formal hearing having been requested by the general manager of that company, an order instituting investigation on the commission's own motion was made by the commission under date April 13, 1917.

The Petaluma and Santa Rosa Railway operates the following rail mileage:

Petaluma to Santa Rosa.....	24.41 miles
Sebastopol to Forrestville.....	7.18 miles
Liberty to Two Rock.....	5.35 miles
Total	37.94 miles

The working time schedule of the Petaluma and Santa Rosa Railway shows the following passenger trains scheduled under time-table No. 22:

Petaluma to Sebastopol.....	12
Sebastopol to terminus, Santa Rosa.....	18
Sebastopol to Forrestville.....	16
Petaluma to Liberty.....	6
Liberty to Sebastopol.....	1
Liberty to Two Rock.....	6
Sebastopol to Petaluma.....	13
Terminus, Santa Rosa, to Sebastopol.....	18
Liberty to Petaluma.....	5
Forrestville to Sebastopol.....	16
Two Rock to Liberty.....	6
Total	117

The above covers only the scheduled passenger service, and in addition there are such freight and work trains as may be required by the business offering. Trains are operated as late as 1.35 a.m., and the considerable amount of night operation renders adequate protection necessary for the safety of passengers and employees.

The scheduled speed according to time card between Petaluma and terminus—Santa Rosa, is approximately 22 miles per hour, and the speed between Petaluma and Sebastopol, largely over private right of way is scheduled at approximately 29 miles per hour, although in connection with several inspections it has been found that this speed is considerably exceeded at times, and speeds of from 40 to 42 miles per hour have been noticed by inspectors of the service department. High speed is always made out of Forrestville southbound by reason of descending grades. It has been observed that the average speed on this line, especially on private right of way, approximates from 30 to 32 miles per hour.

At the hearing of this case, Mr. W. J. Handford, railroad service inspector of this commission, presented a report outlining conditions observed as a result of inspections of operation on the line of the Petaluma and Santa Rosa Railway Company, his report analyzing in detail conditions observed with particular reference to the contentions of the operating officials of the railway company as to there being no necessity for the use of switch lights to indicate the position of switches during the hours of darkness. As regards the electric headlights affording a view enabling motormen to distinguish color of switch targets at a distance of from 700 to 800 feet, Mr. Handford's report indicates that personal observations show that under normal conditions a clear view of the switch target can be obtained on tangents for a distance varying from 250 to 400 or 500 feet. A series of observations were also outlined covering a night trip during the hours of darkness in which trouble was experienced by motormen in obtaining full efficiency of the electric arc headlights. As regards switch targets located on other than tangent track the Petaluma and Santa Rosa Railway have several switches which are located on curves, and on curved tracks the headlights do not give a good view of switch targets, especially when target and switch stand may be located on the inside of the curve, for the reason that the headlight being fixed on the front end of the car projects its rays off the track when rounding a curve and in some instances during inspection it was noticed that headlights did not shine squarely on the switch target at any time.

The matter of placing targets on switch stands for day indication and switch lights for night indication is one that hardly needs discussion as practically all responsible and qualified operating officials realize the necessity for such appliances.

Mr. E. H. Maggard, general manager of the Petaluma and Santa Rosa Railway Company, stated that by reason of the unique conditions surrounding the operation of his line, he, in common with his predecessors, had never regarded it necessary to install switch lamps for

night indication as to position of switches and directed specific attention to the fact that the line had been operated since 1904 without any accident attributable to the absence of switch lights.

After careful consideration of this matter and of the testimony in this proceeding, I am convinced that at least as regards the matter of switch lights conditions on the line of the Petaluma and Santa Rosa Railway Company are not materially different from those common to many other interurban railways operating in the state of California and under the jurisdiction of this commission. It is significant that no other electric interurban railway company operates at the present time in the state of California without switch lights on all facing point main line switches. The expense of installing the switch lights and their subsequent maintenance and operation will not be a serious burden upon the financial condition of the Petaluma and Santa Rosa Railway Company, and such expense really becomes an insurance against hazard of accident and will facilitate operation in that motor-men responsible for the operation of night trains will receive a clear indication as to the position of switches and will be able to operate trains without taking chances as to the position of facing point switches; such switches being always regarded as hazardous in railway operation.

I find as a fact that the night operation of the Petaluma and Santa Rosa Railway without the protection afforded by the presence of switch lamps on main line switches is unsafe and hazardous and that switch lights should be installed and thereafter maintained for the safety of the traveling public and the employees of this carrier. I recommend the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, and the matter having been duly submitted and the commission being fully advised in the premises and basing its order on the findings of fact as appearing in the foregoing opinion,

It is hereby ordered that within sixty (60) days from the date of this order the Petaluma and Santa Rosa Railway Company equip all main line switches with switch lamps for the purpose of giving indication as to the position of switches during the hours of darkness and that such switch lights be thereafter maintained until the further order of this commission.

The commission reserves the right to make such other and further orders in this matter as to it appear just and reasonable or necessary for the safety of the passengers and employees of the Petaluma and Santa Rosa Railway Company or the property entrusted to its charge.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this tenth day of May, 1917.

DECISION No. 4310.

IN THE MATTER OF THE APPLICATION OF LAWRENCE WAREHOUSE COMPANY TO ISSUE TEN THOUSAND DOLLARS PAR VALUE OF ITS CAPITAL STOCK.

Application No. 2723.

Decided May 10, 1917.

Applicant authorized to issue 1,000 shares of its capital stock of the par value of \$10.00 per share, such stock to be issued in lieu of a like amount heretofore issued without authorization of the commission.

When the commission finds a warehouse utility extremely lax in its accounting methods, it will insist that such utility maintain its books and records in a proper and orderly manner.

Sanborn & Roehl, by H. H. Sanborn, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Lawrence Warehouse Company of Oakland for authority to issue \$10,000.00 par value of capital stock in lieu of a like amount of stock issued without authority from this commission.

A public hearing was held in this matter before Examiner Encell in San Francisco on February 5, 1917.

Applicant was incorporated on June 27, 1913, for the purpose of acquiring the warehouse business formerly conducted by Mr. V. O. Lawrence. On or about the date of incorporation all of the authorized capital stock, amounting to 1,000 shares of the par value of \$10.00 per share, was issued as follows:

998 shares to V. O. Lawrence for cash advances.

1 share to M. S. Lawrence as director's qualifying share.

1 share to H. F. Schaefer as director's qualifying share.

1,000 shares.

This stock was issued without authority from this commission and is therefore void. At the hearing Mr. Lawrence, applicant's president, testified that the issue of stock in this manner was through ignorance of the law, and not through any desire to evade the provisions of the Public Utilities Act.

Applicant operates the Standard Warehouse, the East End Warehouse and Municipal Wharf No. 1, in Oakland. The company also has

warehouses for storage of rice in the towns of Live Oak, Esquon and Sankey on the lines of the Northern Electric Railway. It also operates two warehouses in the city of Sacramento. All of these warehouses are operated under lease.

The following is an inventory of the property of Lawrence Warehouse Company as set forth in Exhibit "B," attached to the application:

Real estate	\$2,034 20
Office and furniture fixtures.....	1,264 52
Office supplies and equipment.....	859 18
Warehouse buildings and equipment.....	1,839 41
Automobiles and trucks.....	2,123 16
Total	\$8,120 47

Subsequent to the hearing an examination of applicant's books was made by the department of statistics and accounts of this commission and applicant's annual report for the year ending December 31, 1916, corrected in accordance with the department's findings.

Following is the company's balance sheet as of December 31, 1916, taken from its annual report as corrected:

<i>Assets.</i>		
Organization, franchises, etc.....	\$47,296 44	
Plant, buildings and land.....	3,502 70	
Equipment	2,951 58	
Total	\$53,750 72	
Less—		
Appreciated value in fixed capital.....	37,135 00	
Organization, franchises, etc.....	\$36,000 00	
Land	1,135 00	
	\$16,615 72	
Current assets.		
Cash	\$2,912 48	
Accounts receivable	21,651 00	
Material and supplies.....	1,213 37	
	25,776 85	
Miscellaneous.		
Investments	\$500 00	
Prepaid advertising	695 88	
Prepaid taxes and insurance.....	253 24	
Deferred expenses	98 75	
	1,547 87	
Total assets	\$43,940 44	
<i>Liabilities.</i>		
Capital stock	\$10,000 00	
Assessment on capital stock.....	10,000 00	
Mortgages payable	600 00	
	\$20,600 00	

Current liabilities.		
Notes payable	\$10,000 00	
Audited vouchers and wages payable.....	2,160 27	
Accounts payable	8,514 95	
Liability insurance	97 37	
Suspense	255 93	
		21,028 52
Surplus.		
As at commencement.....	\$3,286 58	
Net loss August 1, 1913, to December 31, 1916.....	974 66	
		2,311 92
Net		
Total liabilities		\$43,940 44

The net value of fixed capital as shown by the above balance sheet includes \$10,720.10 which appears in the opening statement on the books of the corporation as investments, leases, etc. The commission's auditors report that they are unable to verify this entry or the entry of \$3,286.58 "surplus as at commencement."

They further report that the company's accounting methods are extremely lax, particularly as to note transactions. This commission will, of course, insist that applicant maintain its books and records in a proper and orderly manner.

ORDER.

Lawrence Warehouse Company having applied to this commission for authority to issue 998 shares of capital stock to V. O. Lawrence for cash advances and one share each to M. S. Lawrence and H. F. Schaefer as directors' qualifying shares, and a public hearing having been held, and it appearing to this commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Lawrence Warehouse Company be and it is hereby authorized to issue 1,000 shares of stock of the par value of \$10.00 per share as follows:

V. O. Lawrence.....	998 shares in payment for cash advances
M. S. Lawrence.....	1 share as director's qualifying share
H. F. Schaefer.....	1 share as director's qualifying share
Total	1,000 shares.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be issued only in exchange for and upon cancellation of a like amount of capital stock of the Lawrence Warehouse Company heretofore issued without authority from this commission.

2. Lawrence Warehouse Company shall keep separate, true and accurate accounts relative to the issue of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted applicant to issue stock shall only apply to such stock as shall have been issued on or before October 31, 1917.

Dated at San Francisco, California, this tenth day of May, 1917.

DECISION No. 4311.

IN THE MATTER OF THE APPLICATION OF FOWLER GAS COMPANY
FOR PERMISSION TO INCREASE RATES.

Application No. 2829.

Decided May 11, 1917.

Upon a showing that the schedule of rates under which it is operating at the present time is unremunerative, applicant is authorized to put into effect the following schedule: first 3,000 cubic feet, \$1.60 per thousand; next 4,000 cubic feet, \$1.35 per thousand; over 7,000 cubic feet, \$1.10 per thousand; street lights, \$7.50 per month; minimum monthly charge, \$1.10. Discount of 10 cents per thousand cubic feet on all bills paid ten days after presentation.

Irvine P. Aten, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Fowler Gas Company, a corporation supplying the town of Fowler, Fresno County, with gas, for authority to increase its rates. The present rates are as follows:

For the first 4,000 cubic feet per month, or less, \$1.25 per 1,000 cubic feet.
For consumers using from 4,000 to 5,000 cubic feet per month, \$5.00 per month.
For consumers using over 5,000 cubic feet per month, \$1.00 per 1,000 cubic feet.
For street lights, \$2.50 per month for each five-mantle arc light.
Minimum charge, \$1.00 per month for each metered service.

A penalty is also provided of 25 cents per 1,000 cubic feet in addition to the above rates on all bills not paid by the tenth day of the month following meter reading.

Applicant has requested authority to establish the following schedule of rates:

For the first 3,000 cubic feet per month, \$1.75 per 1,000 cubic feet.
For all over 3,000 cubic feet per month, \$1.50 per 1,000 cubic feet.

The above rates to be subject to a discount of 25 cents per 1,000 cubic feet on all bills paid by the tenth of the month following the service rendered.

Minimum charge to be \$1.25 per month for each metered service, subject to a discount of 25 cents if paid by the tenth of the month following the service, with the exception, however, that the minimum rate for churches and public halls is to be 50 cents per month for each service.

For street lighting, \$7.50 per month for each five-mantle arc.

A public hearing was held in Fowler on May 4, 1917, before Examiner Bancroft.

The company's plant is inventoried by it at \$20,369.62. The original cost of the plant can not be definitely ascertained, for the reason that it was purchased during the course of construction, and applicant's officers never had access to the books showing the actual cost; but as nearly as they can ascertain, its actual cost was approximately \$19,900.00.

The company had 113 consumers on December 31, 1916, and there is little prospect of materially increasing this number. Its gross annual income for the year ending December 31, 1916, was \$3,577.10, while its total operating expenses were \$2,638.03, not including interest or depreciation. The company employs only one man, and his salary for the year, together with office expenses and incidental help, amounted to \$1,220.87. The company has outstanding \$7,900.00 face value of 6 per cent bonds and \$2,750.00 of notes bearing 8 per cent interest, making a total annual interest charge of \$694.00. This, added to its annual operating expenses, would leave only \$245.07 to cover depreciation and return upon that portion of capital invested not represented by notes or bonds, providing the cost of operation remains no higher than at present. Applicant introduced testimony, however, to the effect that while under its present contract its oil cost is 31 cents per 1,000 cubic feet of gas produced, at the present market price its oil would cost materially more, and as applicant's present contract expires February 1, 1918, there is no question but that its operating expenses will be materially increased thereafter. Moreover, testimony was introduced to the effect that applicant's labor and incidental costs will increase materially in the near future.

While applicant in its petition asked for certain rates, its officers at the hearing stated that they would be satisfied with any increased rates which the commission might authorize. There is no question but that applicant should be allowed to charge higher rates, but there is a serious question as to how much applicant can increase its rates without losing so many consumers as to reduce, instead of to increase, its gross receipts. As to allowing applicant to establish rates on the basis of a discount of 25 cents per 1,000 cubic feet for bills paid on or before the tenth day of the month, we are of the opinion that such a large discount would result in imposing too severe a penalty upon failure

by a consumer to pay his bill within the specified time. On the other hand, Mr. C. A. Patton, the one employee of applicant, who makes the gas, takes care of the mains, reads the meters, and does all the incidental work, testified that it formerly required four or five days per month for him to collect the company's bills. He has now established an office in a store at a cost of \$5.00 per month, where the bills may be paid by the consumers, and he estimates that with a reasonable discount he will have to do practically no house to house collecting.

Under all the circumstances, we find that the present rates charged by Fowler Gas Company are unremunerative and unreasonable, and that it should be authorized to charge the rates set forth in the following order.

We furthermore find that under the circumstances of this particular case applicant should be permitted to establish rates upon such a basis as to permit a discount of 10 cents per 1,000 cubic feet upon the bills paid on or before the tenth of the month following the service rendered.

ORDER.

Fowler Gas Company having applied for an order authorizing an increase of its rates for gas furnished in the town of Fowler, Fresno County, and a public hearing having been held on said application, and the matter having been submitted, and being now ready for decision, the commission hereby finds as a fact that applicant is entitled to have its rates increased and that the rates hereinafter authorized are just and reasonable. Basing its conclusions upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Fowler Gas Company be and the same is hereby authorized to establish the following rates to be charged to its customers in the town of Fowler for gas:

First 3,000 cubic feet, \$1.60 per 1,000 cubic feet.

Next 4,000 cubic feet, \$1.35 per 1,000 cubic feet.

All over 7,000 cubic feet, \$1.10 per 1,000 cubic feet.

Street lights (five-mantle arcs), \$7.50 per month.

Minimum monthly charge, \$1.10, excepting in the case of churches and public halls, the minimum charge for which shall be 60 cents per month.

A discount of 10 cents per 1,000 cubic feet, or 10 cents on the minimum charge, shall be allowed on all bills paid within ten days after presentation.

Dated at San Francisco, California, this eleventh day of May, 1917.

DECISION No. 4312.

IN THE MATTER OF THE APPLICATION OF MODESTO FARMERS
UNION FOR PERMISSION TO ISSUE AND SELL STOCK.

Application No. 2874.

Decided May 11, 1917.

Applicant authorized to issue 211 shares of its capital stock of the par value of \$100.00 per share, all of such stock to be issued in lieu of stock heretofore issued without authorization of this commission.

When one corporation operates a business, partly of a public utility nature and partly of a private nature, it is advisable that it separate its public from its private business. Permission to issue an additional \$18,900.00 par value of stock deferred pending such separation.

N. A. Hawkins, of Hawkins & Hawkins, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Modesto Farmers Union, a corporation engaged in conducting warehouses and in buying and selling feed, grain, beans, fertilizers and other merchandise in Modesto, Stanislaus County, and in Ripon, San Joaquin County, for confirmation and ratification by this commission of the issue of \$21,100.00 face value of stock heretofore illegally issued, and for authority to issue \$18,900.00 face value of additional stock at par.

A public hearing was held in Modesto on May 8, 1917, before Examiner Baneroft.

It appears that applicant was incorporated under the laws of the state of California in March, 1916, for the purpose, among others, of taking over the business of a cooperative association known as Modesto Farmers, Incorporated, which for a number of years prior thereto had been conducting, in a small way, the same sort of business which applicant is now conducting.

Applicant's articles of incorporation provide for a total capitalization of \$50,000.00, divided into 500 shares of stock of the par value of \$100.00 each.

Upon the organization of applicant, it issued to each of its incorporators, A. B. Shoemaker, J. K. Corson, Nels Hansen, Guy H. Miller and R. A. Carson, 40 shares of the company's capital stock in exchange for all of the property and assets of Modesto Farmers, Incorporated, and \$1,000.00 cash from each of said incorporators. Applicant's incorporators estimated the property and money so transferred to be worth fully the par value of the stock. Thereafter applicant issued and sold to C. B. Torney, one of its employees, 10 shares of its capital stock at

par, and to Maud P. Miller, the wife of Guy H. Miller above mentioned, 1 share at par.

All of this stock was issued without applicant having obtained authority therefor from this commission, and, accordingly, all of such issue is void; but it appears from the evidence that all of said stock was issued by applicant in good faith and that the only reason it did not apply to this commission for authority to issue the same was that its officers did not realize that applicant was a public utility.

At the hearing, applicant submitted figures as of May 1, 1917, showing its total assets, as estimated by its officers, to be \$41,256.93, and its total liabilities to be \$10,643.84, leaving a balance of \$30,613.09, or approximately \$145.00 per share of stock outstanding.

As the issue of all applicant's stock is void, this commission can not confirm or ratify same, but it can authorize the issue of stock to take the place of that heretofore illegally issued.

The main difficulty in this application, however, arises from the fact that applicant is conducting a private business in conjunction with a public utility business, and if this commission should authorize the issue of \$40,000.00 par value of applicant's stock probably not more than \$5,000.00 or \$6,000.00 of the proceeds would be used for the warehouse or public utility business conducted by applicant, while the remainder would be used for buying and selling grain, foodstuffs and other merchandise. As stated by this commission in the application of Corcoran Mill and Warehouse, reported in Vol. 8, Opinions and Orders of the Railroad Commission of the State of California, p. 796:

"This commission has consistently encouraged and recommended corporations doing mixed businesses to separate their public utility from their nonpublic utility businesses. There are cases in which it may not be feasible for old established companies which may be conducting both classes of business to separate the two, although the inconveniences and disadvantages of such a combination are so great that a number of such companies have already effected such separations. When a new company is being formed, however, we should be very slow indeed to authorize it to enter upon a course which experience has shown to be far from satisfactory both to the companies and to this commission; for obviously the logical time to make such separation is at the outset."

This subject was discussed at some length at the hearing of the present application, and applicant's officers stated that it would be decidedly difficult for them to separate their public utility from their nonpublic utility business at this time. At the close of the hearing, however, they stated that they would be willing to separate their two classes of business within a year from date, provided the commission would permit them to continue in business along their present lines

until the separation could be effected without upsetting this season's business.

Under these conditions we are of the opinion that applicant should be authorized to issue new stock in place of that heretofore illegally issued; but on account of the contemplated separation of the two classes of business it will not be feasible for applicant to issue the 189 shares of additional stock as requested in its application.

ORDER.

Modesto Farmers Union, a corporation, having applied to this commission for the confirmation and ratification of the issue of 211 shares of its capital stock heretofore illegally issued, and for authority to issue 189 additional shares of said stock of the par value of \$100.00 per share, and a public hearing having been held and the commission finding that the purposes for which the said stock was issued or the proceeds thereof used were reasonably required for the purposes to which they were devoted, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Modesto Farmers Union, a corporation, be and the same is hereby authorized to issue 211 shares of its capital stock, of the par value of \$100.00 each, as follows:

To A. B. Shoemake	40 shares
To J. K. Corson	40 shares
To Nels Hansen	40 shares
To Guy H. Miller	40 shares
To R. A. Carson	40 shares
To C. B. Torney	10 shares
To Maud P. Miller	1 share

The authority herein granted is granted on the following conditions, and not otherwise, to wit:

1. Modesto Farmers Union shall not issue or deliver any of said stock until all the certificates for the 211 shares of such stock which said company has heretofore illegally issued shall have been returned to said company and canceled by it.

2. Modesto Farmers Union shall report to the Railroad Commission, within twenty (20) days after the issue of the respective certificates of stock, the face value of the same and the application of the proceeds thereof, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply to such stock as shall be issued on or before September 30, 1917.

Dated at San Francisco, California, this eleventh day of May, 1917.

Decisions Nos. 4313, 4314, 4315, 4316 and 4317, grade crossings; not printed. See end of volume.

DECISION No. 4318.

IN THE MATTER OF THE APPLICATION OF SANTA PAULA WATER WORKS FOR AUTHORITY TO ISSUE PROMISSORY NOTES IN A TOTAL AMOUNT NOT EXCEEDING EIGHT THOUSAND DOLLARS.

Application No. 2832.

Decided May 17, 1917.

Applicant authorized to issue three serial notes aggregating the sum of \$8,000.00, with interest at 7 per cent, such notes to be sold at not less than par, proceeds to be used partly to discharge one-day notes outstanding, the balance for constructing distributing mains and service connections.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to issue notes, the proceeds to be used to replace distributing mains and services underlying certain streets now about to be paved in Santa Paula, Ventura County, where applicant serves domestic and irrigating water, and for refunding one-day notes.

By Decision No. 3609 of August 31, 1916, applicant was authorized to issue five serial notes for \$2,000.00 each, respectively, maturing January 1, 1918, 1919, 1920, 1921, and 1922, and use the proceeds to provide mains and services under certain other streets then about to be paved. The opinion accompanying the order gives a brief review of applicant's history, business, resources, liabilities and earnings. (See Vol. 10, Opinions and Orders of the Railroad Commission, p. 742.) Its assets and liabilities are shown by its annual reports to be.

Santa Paula Waterworks, Comparative Balance Sheet.

	December 31, 1915	December 31, 1916
<i>Assets.</i>		
Fixed capital	\$182,526 18	\$201,282 75
Cash	1,546 29	1,151 46
Notes receivable	8,808 19	208 19
Accounts receivable	2,807 52	4,234 22
Other current assets	478 95	
Miscellaneous investments	1,300 00	1,300 00
Material and supplies		902 49
Total assets	\$197,467 13	\$209,079 11
<i>Liabilities.</i>		
Capital stock	\$150,000 00	\$150,000 00
Notes payable		13,200 00
Total accounts payable	2,157 79	298 44
Reserve for accrued depreciation	8,078 19	9,568 17
Corporate surplus unappropriated	37,231 15	36,012 50
Total liabilities	\$197,467 13	\$209,079 11

The above item of notes payable, \$13,200.00, represents applicant's five serial notes for \$2,000.00 each, and its two one-day notes in favor of First National Bank of Santa Paula, one dated June 23, 1916, for \$1,200.00, and one dated August 8, 1916, for \$2,000.00, the proceeds of both having been used for installing said mains and services. These one-day notes applicant wishes to refund with proceeds of long-term notes. The only other indebtedness in its report as of December 31, 1916, is \$298.44 in accounts payable.

With the present application is submitted a detailed estimate of cost for installing mains and services totaling \$6,783.69. The commission's engineers have checked the figures submitted and consider the estimate reasonable. They also estimate the cost of the pipe replaced at about \$2,700.00. Applicant wishes to add the difference between these amounts to its capital assets.

Applicant wishes to install the pipes in question before the streets are paved because the work can be then done with greater satisfaction and economy. This course seems to be in the public interest.

ORDER.

Santa Paula Waterworks having applied to the Railroad Commission for authority to issue the notes described herein, and a public hearing having been held upon said application, and it appearing that the money to be procured by such issue is reasonably required for the purposes specified in the order, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Santa Paula Waterworks be and it is hereby authorized to issue its three serial notes in the principal sums of \$2,000.00, \$3,000.00 and \$3,000.00 each, payable respectively in six, seven and eight years after date of issue, and bearing interest from their respective dates at a rate not in excess of 7 per cent per annum; said notes to be sold at a price which will net not less than par to applicant; and to use \$3,200.00 of the proceeds thereof for refunding its one-day notes in favor of the First National Bank of Santa Paula, one dated June 23, 1916, for \$1,200.00, principal, and one dated August 8, 1916, for \$2,000.00, principal, and to use the remainder thereof for the purpose of installing distributing mains and service connections under streets in Santa Paula.

This order is made upon the following conditions:

1. On or before the twenty-fifth day of each month applicant shall file with the commission a verified report showing the notes issued, the commissions paid, if any, the use made of the proceeds and other information required by General Order No. 24, which order in so far as applicable is made part of this order.

2. This authority to issue notes shall apply only to such notes as may be issued within 90 days from the date hereof.

3. This authority to issue notes shall not become effective until the fee specified in the Public Utilities Act therefor shall have been paid.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4319.

IN THE MATTER OF THE APPLICATION OF CITY OF RED BLUFF FOR AN ORDER REQUIRING THE SOUTHERN PACIFIC COMPANY, AS LESSEE, AND THE CENTRAL PACIFIC RAILROAD COMPANY, AS OWNER, TO CONSTRUCT, REPAIR, AND PUT IN CONDITION FOR TRAVEL THE CROSSING IN SAID CITY WHERE CEDAR STREET CROSSES THE TRACKS OF SAID RAILROAD, AND TO INSTALL AT THE CROSSINGS OF WALNUT, OAK AND CRITTENDEN STREETS SUITABLE DANGER SIGNALS OR WATCHMEN AS MAY BE DETERMINED BEST.

Application No. 2800.

Decided May 17, 1917.

1. When an existing grade crossing within an incorporated municipality is closed prior to the effective date of the Public Utilities Act through resolution of the board of trustees of such municipality, such former crossing may not be reopened for traffic unless permission is first secured from the Railroad Commission.
2. It is the policy of the Railroad Commission, when considering grade crossing situations, to concentrate travel at as few crossings as possible, adequately protecting such crossings and closing all unnecessary ones.
3. The opening of Cedar street is unnecessary, as the light traffic which would avail itself of such crossing is at present and will be adequately served by existing crossings.
4. After review of the grade crossing situation in the city of Red Bluff, recommendations made by the engineering department of the commission covering the closing of several existing crossings and the better protection of others by the installation of automatic flagman and removal of obstacles, which recommendations it is suggested the city and railroad company adopt.

McCoy & Gans, for Applicant.

George D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

In this application the city of Red Bluff asks permission to reopen Cedar street over the Southern Pacific tracks, and requests the commission to order suitable protection for three crossings now open: Walnut, Oak and Crittenden streets. At the hearing held April 19, 1917, testimony was taken only on the first of these two matters and it was stipulated that for the second such orders as the commission might make could be based on the report of its engineering department

covering a grade crossing survey of the city which would be promptly undertaken in connection with the state-wide crossing survey now in progress.

Cedar street, which the city seeks permission to reopen, is an east and west street, 80 feet in width, which was closed temporarily by the railroad company in accordance with permission obtained from the board of trustees of Red Bluff by a resolution dated May 13, 1902. The resolution reads in part as follows:

"It is therefore hereby ordered, that the said Cedar street between Madison street and Monroe street, in the city of Red Bluff be and the same is hereby temporarily closed to public travel, and that the Southern Pacific Company be granted permission to complete and occupy the said boiler house and that said company be permitted also to occupy and use the said Cedar street so closed as aforesaid for the purpose of carrying on its railroad business, and until the further order of this or some future board of trustees of the said town of Red Bluff; provided, and this permission and use shall be and they are upon the express condition, that the title to the said street thus closed to public travel shall be and remain in the public as a street and highway and that no permanent rights therein are hereby granted to the said Southern Pacific Company, or its successors in interest, and that said company, or its successors in interest shall not by use, or adverse possession acquire any title thereto as against the public or the town of Red Bluff."

It is the contention of the city attorney that the consent of the commission is not required to reopen this crossing, as the city had no right, and it was not the city's intention, to close it permanently. On October 2, 1916, the board of trustees instructed the city attorney to advise the Southern Pacific Company that it desired to reopen Cedar street, and notice was served on the railroad company to remove some buildings and other obstructions and place the street in condition to be used. A similar notice was served on the owner of a flour mill who had a building occupying part of the street.

The owner of the mill immediately took steps to remove the building, but the railroad company at that time, and at the hearing, took the ground that the consent of the commission was necessary before the crossing could be legally reopened. The buildings, however, have been removed.

There is no crossing in existence on Cedar street at the present time. The approaches to the rails were torn out when the crossing was temporarily abandoned and other tracks have since been constructed across the street. It has not been open for travel and there has been no crossing there since the passing of the Public Utilities Act; consequently the wording of section 43, of this act: "No public road, highway or street shall hereafter be *constructed* across the track of any

railroad corporation at grade * * * without first having secured the permission of the commission," seems to me to apply with as much force here as it would if the proposed crossing were entirely new. It is clear that the consent of the commission must be secured before this street can be legally opened over the railroad.

To consider now the need of the people of Red Bluff for a crossing at Cedar street: The blocks in the vicinity of Cedar street are 300 by 300 feet, with the streets parallel to the railroad and at right angles to it. Monroe and Madison are parallel streets and are connected by Union street, one block north of Cedar, and Hickory street, one block south. South of Hickory street, Walnut is open. Although Hickory street appears to be very little used, if the Cedar street crossing were opened there would undoubtedly be some traffic across it; but the testimony is not convincing that it would be great enough to offset the hazard which would be incurred by its construction. Even those who are located on Cedar street, between Madison and Monroe, or in the vicinity of the corners of these latter streets with Cedar, appear to suffer very slight inconvenience, if any, by the lack of this Cedar street crossing. It would, in my judgment, be a departure from the modern, approved tendency in handling the grade crossing problem—that is, of concentrating travel at as few crossings as possible and protecting those crossings—to permit this crossing to be opened.

Since the hearing the commission's engineering department has made its grade crossing survey in the city of Red Bluff, and has informed the commission of the results in a report, a copy of which has been sent to the railroad and to the city. It will not be necessary to repeat here what is stated in the report, but a summary of its conclusion may be convenient:

"No. 1. Oak street—

A human flagman should be stationed at this crossing from one hour before until one hour after the school period. The brush on the south side of the street along the sidewalk should be trimmed.

"No. 2. Pine street—

This street should be closed.

"No. 3. Walnut street—

An automatic flagman should be installed.

"No. 4. Hickory street—

This crossing should be closed.

"No. 5. Union street—

Tool house should be moved so view will not be obscured.

"No. 6. Crittenden street—

An automatic flagman should be installed.

"No. 7. Breekinridge street—

Crossing should be widened. Automatic flagman should be installed."

From my knowledge of the crossing situation at Red Bluff, gathered from a personal inspection and through testimony at the hearing, I am convinced that these recommendations are reasonable and should be followed. Their tendency is to protect the crossings which are most convenient and to abandon the others; and I believe if the railroad and the city will cooperate to carry them out the crossing situation in Red Bluff will be satisfactorily settled for some time to come.

It was stipulated, as I said before, that the commission's order covering the protection of the three streets complained of in the application—Walnut, Oak and Crittenden—should be based on this report rather than on testimony, so to that extent the recommendations in the report for these streets could be issued as formal orders of the commission. No orders covering the other recommendations could be made without a hearing but I am in hopes that they will be carried out by both the city and railroad company.

As far as crossing protection is concerned I prefer to recommend no definite order at this time. The final order may be influenced by the action of the interested parties towards the recommendations made for streets other than those directly involved. All crossings in the city were considered as a unit by our engineering department and a failure to carry out one recommendation may affect the others.

In the following order which I recommend, the right will be reserved to make such additional orders affecting Walnut, Oak and Crittenden streets as may be necessary, after the railroad company and the city have advised the commission of their attitude towards the recommendations of our engineering department in the report sent to them.

ORDER.

City of Red Bluff having applied to the commission for permission to reopen Cedar street across the track of Southern Pacific Company and to order suitable protection for Oak, Walnut and Crittenden streets, and a public hearing having been held, and it appearing that no public necessity exists for the reopening of Cedar street at this time, and that a formal order covering the protection of Oak, Walnut and Crittenden streets should be postponed until both the city and the railroad have had an opportunity to canvass the crossing report, to which reference has been made, and advise the commission,

It is hereby ordered that this application, in so far as it asks permission to reopen Cedar street across the tracks of Southern Pacific Company, be and the same hereby is denied.

It is hereby further ordered that the commission reserves the right hereafter to make such further orders covering the protection of Oak, Walnut and Crittenden streets as to it may seem right and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4320.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW
CERTAIN NOTES.

Application No. 2895.

Decided May 17, 1917.

Applicant authorized to renew, for a period or periods not exceeding one year
eleven certain promissory notes in an aggregate sum of \$104,989.71.

Short & Sutherland, by W. A. Sutherland, for Applicant.

THELEN, *Commissioner.*

OPINION.

This is an application of Midland Counties Public Service Corporation for authority to renew for a period not exceeding one year from their respective dates of maturity promissory notes in the total sum of \$104,989.71. The notes which applicant desires to renew are as follows:

Date	Name.	Rate, per cent	Amount	Due date	Previous decision number
3/25/17	First National Bank of Coalinga..	6	\$6,500 00	6/25/17	3168
4/26/17	First National Bank of Fresno....	6	2,500 00	7/26/17	-----
2/ 6/17	First National Bank of Fresno....	6	2,500 00	5/ 7/17	-----
2/ 6/17	Bank of Italy, Fresno.....	6	10,000 00	5/ 7/17	-----
1/25/17	Union National Bank, Fresno.....	6	11,500 00	5/25/17	-----
2/ 8/17	Union Nat. Bank, San Luis Obispo.	7	6,000 00	5/ 8/17	3526
2/20/17	Westinghouse E. and M. Co.....	6	12,122 70	5/21/17	3168, 3942
3/28/17	Western Electric Co.....	6	11,687 02	6/28/17	3168, 3526, 3942
3/ 7/17	U. S. Aluminum Co.....	6	23,500 00	6/ 7/17	3168
8/24/16	J. A. Roebling's Sons Co.....	6	6,000 00	5/24/17	3168
9/18/16	J. A. Roebling's Sons Co.....	6	12,679 99	6/18/17	3168

Witness for applicant stated that the proceeds from all the above notes were used for proper capital purposes. All but \$26,500.00 of these notes have been passed upon by the commission in previous orders. In

view of these facts I am of the opinion that this application may be granted and accordingly submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to this commission for authority to issue \$104,989.71 face value promissory notes for the purpose of renewing other notes now outstanding as hereinbefore set forth, and a public hearing having been held and it appearing to this commission that the money to be procured by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Midland Counties Public Service Corporation be and it is hereby authorized to issue its promissory notes for a term not exceeding one year for the purpose of renewing the following promissory notes now outstanding:

Date	Name	Rate, per cent	Amount	Due date
3/25/17	First National Bank of Coalinga.....	6	\$6,500 00	6/25/17
4/26/17	First National Bank of Fresno.....	6	2,500 00	7/26/17
2/ 6/17	First National Bank of Fresno.....	6	2,500 00	5/ 7/17
2/ 6/17	Bank of Italy, Fresno.....	6	10,000 00	5/ 7/17
1/25/17	Union National Bank, Fresno.....	6	11,500 00	5/25/17
2/ 8/17	Union National Bank, San Luis Obispo.....	7	6,000 00	5/ 8/17
2/20/17	Westinghouse E. and M. Co.....	6	12,122 70	5/21/17
3/28/17	Western Electric Co.....	6	11,687 02	6/28/17
3/ 7/17	U. S. Aluminum Co.....	6	23,500 00	6/ 7/17
8/24/16	J. A. Roebling's Sons Co.....	6	6,000 00	5/24/17
9/18/16	J. A. Roebling's Sons Co.....	6	12,679 99	6/18/17

The authority herein granted is granted upon the following condition and not otherwise:

1. The notes herein authorized to be issued shall be issued so as to net applicant not less than the face value thereof.

2. The notes herein authorized to be issued shall be issued to the same payees at the same rates of interest and in the same amounts as the notes which they are given to renew.

3. Applicant may, if it so desires, issue notes for a period of less than one year and renew said notes from time to time, provided that the combined terms of the notes herein authorized and those issued in renewal thereof shall not exceed one year.

4. Midland Counties Public Service Corporation shall report to the Railroad Commission within ten days after the issue of the respective notes hereby authorized, the fact and the date of issue, the face value of the respective notes, the rate of interest and the application of the

proceeds, all in accordance with this commission's General Order No. 24, which order in so far as applicable is made a part of this order.

5. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to notes issued on or before May 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4321.

IN THE MATTER OF THE APPLICATION OF HANFORD GAS AND POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS.

Application No. 2639.

Decided May 17, 1917.

Applicant having heretofore been authorized to issue \$70,000.00 face value of bonds subject to the approval, by the commission, of its proposed deed of trust, and it having inadvertently executed a mortgage and issued such bonds without securing such approval, its form of mortgage is approved and bonds authorized in lieu of those illegally issued.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas this commission in Decisions Nos. 3697 and 4025 authorized Hanford Gas and Power Company to issue \$70,000.00 face value of 6 per cent twenty-year bonds upon the condition among others that the company should not mortgage its property or issue any bonds thereunder until the commission had approved applicant's proposed mortgage or deed of trust by supplemental order; and

Whereas it now appears from applicant's letters that applicant has executed a mortgage and deed of trust upon its property and has issued \$70,000.00 face value of bonds thereunder bearing same date without securing a supplemental order from this commission approving the form of said mortgage and deed of trust; and

Whereas it further appears that said action was taken by the company through inadvertence and not through any desire to evade the conditions laid down by the commission in its orders,

It is hereby ordered that Hanford Gas and Power Company be and it is hereby authorized to hereafter execute a mortgage and deed of trust upon its properties substantially in the form of a mortgage and

deed of trust in favor of F. R. Hight, trustee, filed with this commission on April 23, 1917, and marked Exhibit "A," securing payment of a total authorized issue of \$70,000.00 face value of 6 per cent first mortgage gold bonds, said bonds being callable at 101 and accrued interest after 12 months, and being secured by all property now owned or which the company may hereafter acquire.

It is hereby further ordered that the time within which bonds may be issued under this commission's Decisions Nos. 3967 and 4025 be and it is hereby extended to and including June 30, 1917. The bonds hereby authorized are in lieu of said \$70,000.00 face value of bonds heretofore illegally issued.

The approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and is an approval only in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

The authority herein granted shall become effective only after applicant shall have procured the cancellation and discharge of the mortgage and deed of trust heretofore executed without authority from this commission and the cancellation of the bonds heretofore illegally issued under said mortgage and deed of trust.

Except as herein modified this commission's Decisions Nos. 3967 and 4025 shall remain in full force and effect.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4322.

IN THE MATTER OF THE APPLICATION AND EFFECT OF THE RATES, RULES AND REGULATIONS TO BE CHARGED AND APPLIED BY MOUNT WHITNEY POWER AND ELECTRIC COMPANY AS ESTABLISHED BY DECISIONS No. 3242 AND No. 3278 OF THE RAILROAD COMMISSION.

Case No. 1043.

Decided May 17, 1917.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

Mount Whitney Power and Electric Company has filed herein a petition asking that a rehearing be held or that specified changes be made in the order of May 8, 1917, herein (Decision No. 4300).

The company asks that the following changes be made in its schedules:

1. In Schedule No. 6, insert a comma after the word "equipment" where said word first occurs in said schedule.

2. In Schedule No. 6a, eliminate the words "limited only by the demand upon the company's system."

3. In Schedule No. 7, add to the words:

"MINIMUM CHARGES.

"For continuous industrial services supplied from a secondary distribution system, \$1.00 per month per horsepower, connected"

the following words:

"For service to a packing house or cannery, \$12.00 per year per horsepower, connected, payable \$1.00 per month per horsepower, connected."

4. In Schedule No. 7, add to the words:

"For all service supplied from rural lines, \$12.00 per year or fraction thereof per horsepower connected"

the following words:

"payable \$1.00 per month per horsepower, connected."

5. In Schedule No. 7, change the words:

"Minimum bill for services supplied from rural lines \$30.00 per meter."

to read as follows:

"Minimum bill for services supplied from rural lines, \$30.00 per year per meter, payable \$2.50 per month per meter."

6. Change Schedule No. 11 to read as follows:

"SCHEDULE No. 11.

Combination Lighting, Cooking and Heating Rate—Metered Service.

Applicable to domestic installations of lighting, cooking and heating where the rated capacity of the cooking and heating equipment is at least five (5) kilowatts, exclusive of lamp socket devices.

First 20 kilowatt hours per month per meter, 8 cents per kilowatt hour.

Next 150 kilowatt hours per month per meter, 3 cents per kilowatt hour.

Over 170 kilowatt hours per month per meter, 1 cent per kilowatt hour.

This schedule shall also be applicable to commercial installation of cooking and (or) heating, but not lighting or lamp socket devices, if the rated capacity of the equipment is at least five (5) kilowatts and operated from a circuit and through

a meter separate from any other service on the premises, in which event the first block at 8 cents per kilowatt hour will be eliminated and the 3-cent rate will apply to the first 150 kilowatts per month per meter, with 1 cent per kilowatt hour for all energy used during the month in excess of 150 kilowatt hours.

Minimum monthly bill. \$2.00."

The company also asks that Rule No. 7, as revised by said Decision No. 4300, should be changed by inserting after the word "interval" the following words:

" , unless otherwise specified in the schedules."

The foregoing changes are reasonable and may be made by the company by refiling said schedules and rule.

The meter rate specified in said Decision No. 4300, as herein modified, shall apply to meter readings taken during the month of May, 1917, and the flat rates shall become effective on June 1, 1917.

There is nothing further in the petition requiring consideration.

ORDER.

Mount Whitney Power and Electric Company having filed a petition for rehearing in the above-entitled proceeding and careful consideration having been given to the same,

It is hereby ordered that Mount Whitney Power and Electric Company be and the same is hereby authorized to amend specified schedules and rules as indicated in the opinion which precedes this order; and

It is further ordered that in all other respects said petition for rehearing be and the same is hereby denied.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4323.

CITY OF POMONA

vs.

SOUTHERN COUNTIES GAS COMPANY.

Case No. 1051.

Decided May 17, 1917.

Complainant alleges that the present schedule of rates for natural gas to inhabitants of the city of Pomona are excessive and materially higher than rates for similar service in other cities of a like size, and petitions the commission to order into effect a reduced schedule.

1. The fact that a utility may have in effect a lower schedule of rates for the same service in one city than it has in another is not conclusive that the higher schedule is excessive, as the other may have been established for experimental purposes only.
2. Defendant at an expense of \$90,000.00 is now serving the inhabitants of Pomona with natural gas of 1,050 B.t.u., as against 580 for artificial gas heretofore delivered. It is not now earning a reasonable return upon its investment nor has it asked for an increase in rates, accordingly reductions in the present schedule are not warranted. Complaint dismissed.

C. W. Guerin, city attorney, for Complainant.

Leroy M. Edwards, for Defendant.

LOVELAND, Commissioner.

OPINION.

This is a complaint filed by the city of Pomona against the Southern Counties Gas Company, defendant, alleging in effect that the rates for natural gas furnished by the defendant to the city of Pomona and its inhabitants are materially higher than the rates charged by said defendant to the consumers of natural gas in other cities similar to Pomona in size and location and asking that the commission reduce the rate charged in the city of Pomona.

Defendant in its answer denies that it charges its consumers in the city of Pomona rates materially higher than the rates charged by defendant in other cities similar to Pomona and alleges that the rates charged in the city of Pomona are, so far as its consumers are concerned, fair, just and equitable and are not excessive. Defendant further alleges that for many years prior to February 1, 1917, city of Pomona was supplied with artificial gas containing approximately 600 B.t.u. per cubic foot; that in June, 1916, defendant purchased the gas properties serving Pomona and at urgent request and solicitation of various officials and residents of Pomona constructed a natural gas pipe line from the oil fields and since the latter part of February has been supplying its consumers with natural gas in excess of 1,050 B.t.u. Defendant prays that the complaint be dismissed.

Hearing in this case was held at Pomona on April 13, 1917, at which evidence was introduced by the city of Pomona through its mayor, Mr. W. A. Vandergrift, and by the defendant through its engineer, secretary and superintendent.

Evidence introduced by the city of Pomona was, in general, to the effect that the rate charged in Pomona was in excess of that charged by the Southern Counties Gas Company in Santa Ana and Orange, where the rate was 75 cents per thousand cubic feet, although Pomona was as near to the oil fields as the other districts and that therefore the rate in Pomona should be no greater.

Southern Counties Gas Company introduced evidence showing the valuation of its properties chargeable to the city of Pomona, statement

of the operating revenue and expense for the month of March, 1917, together with testimony regarding the earnings of the company prior to the introduction of natural gas together with those for the period since natural gas was introduced, and also evidence as regards relative economy of natural gas as compared with artificial.

Prior to June, 1916, the gas plant and distribution system supplying Pomona, San Dimas, Lordsburg, Claremont, Chino and intervening territory was owned and operated by the Southern California Edison Company. Artificial gas of approximately 600 B.t.u. per cubic foot was produced in a plant located at Pomona and transmitted to the other towns. The rate charged in the city of Pomona was \$1.10 per thousand cubic feet. In June, 1916, Southern Counties Gas Company, after receiving the approval of the Railroad Commission, purchased this gas system from the Southern California Edison Company, together with the system supplying Long Beach, Santa Monica and Venice.

Southern Counties Gas Company has for some time been supplying natural gas to Anaheim, Santa Ana, Orange and intervening territory, the gas being obtained from the oil fields known in general as the Fullerton fields. The company was urged by people of Pomona and vicinity to supply natural gas in this district and in view of this request, the general increase in price of oil which would eventually require an increase in gas rates in case artificial gas was supplied, and in order to give the public the benefit of the natural gas service, the Southern Counties Gas Company made application to the commission on July 18, 1916, requesting permission to construct a natural gas line to Pomona for the supplying of natural gas in that territory. This application was granted in the commission's Decision No. 3566, issued August 10, 1916. (Vol. 10, Opinions and Orders of the Railroad Commission, p. 661.) The line was completed at a cost of approximately \$83,000.00 and natural gas delivered to the city of Pomona January 28, 1917. With the introduction of natural gas the Southern Counties company filed and put in effect a revised schedule of rates for general domestic service which, although not a reduction in rate per 1,000 cubic feet in the case of consumptions of less than 2,000 cubic feet per month, show material reductions for larger consumptions. The natural gas supplied, however, has a heating value of practically twice the artificial gas previously provided, so that the introduction of natural gas has actually resulted in a reduction of rates amounting to 40 or 50 per cent, due to the fact that for the same money consumers will now get practically twice as much heat as formerly.

The valuation of the defendant's property chargeable to the service of Pomona was reported by Mr. Morton R. Thompson, engineer for defendant, as \$366,666.97 as of February 28, 1917. This estimate was

based upon an estimate of the present or depreciated value as of February 1, 1916, made by W. A. Baehr, valuation engineer, plus net additions and betterments. This valuation was introduced in evidence for the purchase of the property in Application No. 2200 before the Railroad Commission. Complainant questioned the inclusion of certain items as chargeable to Pomona service. However, as the inclusion or exclusion of the items can not in any way affect the question of rate, due to the low return at present received, the correctness of these will not be passed upon.

Testimony introduced is to the effect that for the last six months of 1916, when artificial gas was supplied at \$1.10 per thousand cubic feet, the net revenue for interest and depreciation on the valuation was only 6.3 per cent, which would leave approximately 4 per cent in case depreciation was deducted. During that period the company was paying 83 cents per barrel for oil as against the present and possible future price of \$1.38. It would appear, therefore, that had the company not introduced natural gas, an increase of rates might have been required in order that the company should earn the cost of money.

At the time of the hearing natural gas had been supplied for the month of March, 1917, only, and records as regards the earnings of the company were limited therefore to that period. It appears from the evidence that during the month of March the company's gross revenue for the city of Pomona was \$4,371.16 and operating expense \$4,127.68, leaving a net income of \$243.48 which, on the capital investment chargeable to the city of Pomona of \$364,654.02, amounted to an average of only 0.8 per cent for interest and depreciation.

It appears that certain of the expenses were higher than possibly normal due to extra expense in adjusting appliances following the introduction of natural gas and to the active campaign for new business which has been instituted in order to increase the sales and revenue and make the distribution of natural gas at the rates remunerative.

The month of March, especially, being the first month of service of natural gas, can not fairly be used to determine the possible cost or revenue for the entire year. I doubt whether records for a complete twelve months of natural gas service, following the service of artificial gas, would be sufficient to determine the reasonableness of these rates; certainly one month would not. The present rates do not appear excessive compared with other rates in comparable cities and especially when it is considered that a direct reduction over cost to the consumer of artificial gas of about 40 per cent has been made.

Considerable stress was laid by the city on the fact that certain cities in Orange County enjoyed a rate of 75 cents per 1,000 cubic feet. This lower rate was voluntarily put in effect upon the introduction of natural

gas in that territory when Southern Counties Gas Company first commenced the service of natural gas with the hope apparently of increasing the business sufficient to make up the loss. About a year subsequent to the first service of natural gas Southern Counties Gas Company applied for an increase of rates on grounds that the rate was not remunerative. This application was denied on the grounds that sufficient time had not elapsed to determine with a reasonable degree of certainty whether the rates would yield a reasonable return. Southern Counties Gas Company contends that the rate of 75 cents per thousand does not net a reasonable return. It is possible that rather than the Pomona rate being too high the 75 cent rate is too low, and it can not fairly be held against the defendant that its possible mistake in one instance shall require it to do the same elsewhere.

Mr. Vandergrift, mayor of Pomona, testified that the high gas bills during the months of January and February caused considerable complaint and that reduction due to introduction of natural gas had not been as great as had been expected. The high bills in January and February were due largely to the cold weather prevailing. The apparent continuance of fairly high bills after introduction of natural gas was not entirely explained, as tests showed that the heat content was over 1,050 B.t.u. per cubic foot for natural as against 580 for artificial. Experience in other localities has shown a definite reduction of consumption for the same use, of from 40 to 50 per cent, and it is fair to assume that the same will result in Pomona after another month's trial.

Considering the facts that the Southern Counties Gas Company has introduced natural gas at an investment of approximately \$90,000.00, thus actually giving the people of Pomona almost 100 per cent more for their money than formerly, that it is not earning a reasonable return on its investment to serve Pomona and that it does not request an increase of rates, but plans to increase its revenue by development of business, I believe that the complaint of the city of Pomona should be dismissed.

I therefore recommend the following form of order:

ORDER.

City of Pomona having filed a complaint requesting a reduction in the rates for natural gas charged by the Southern Counties Gas Company, and a public hearing having been held, and the case being submitted and now ready for decision, and it appearing that the present rates of the Southern Counties Gas Company are not excessive or unjust to the consumer, and the Southern Counties Gas Company requesting that the complaint be dismissed,

It is hereby ordered that the above-entitled complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this seventeenth day of May, 1917.

DECISION No. 4324.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT BY THE BOARD OF TRUSTEES OF THE CITY OF LOS ANGELES BY ORDINANCE No. 81 ON THE SEVENTH DAY OF JULY, 1915.

Application No. 2707.

Decided May 18, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

The Pacific Telephone and Telegraph Company having filed with the Railroad Commission a stipulation in accordance with the provisions of the order heretofore made in this proceeding on January 31, 1917, the cost of the franchise in question being stated to be \$159.80,

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this eighteenth day of May, 1917.

DECISION No. 4325.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE CITY OF FRESNO BY ORDINANCE No. 780 ON THE SEVENTEENTH DAY OF JANUARY, 1916.

Application No. 2716.

Decided May 18, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

The Pacific Telephone and Telegraph Company having filed with the Railroad Commission a stipulation in accordance with the provisions

of the order heretofore made in this proceeding on January 31, 1917, the cost of the franchise in question being stated to be \$224.00,

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this eighteenth day of May, 1917.

DECISION No. 4326.
HENRY J. GREMINGER
vs.
THE DIAMOND RIDGE DITCHES.

Case No. 994.

Decided May 21, 1917.

Defendant was heretofore required to install a twelve-inch riveted steel pipe to enable it to serve complainants with water for irrigation purposes, and upon a showing that such pipe would cost in excess of the amount heretofore figured, original order amended to permit the installation of either cement, wood stave or other serviceable pipe.

When consumers of a public utility water company have been receiving service to which they are legally entitled, and such service is arbitrarily withdrawn by the utility, such utility can not afterwards contend that consumers should be required to stand one-half the expense necessary to reinstall service.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

The commission in this proceeding filed its opinion and order on the twenty-second day of March, 1917, in which it provided that service be restored to certain consumers of defendant along an old unused lateral which formerly supplied complainant and other consumers in that vicinity. The testimony at the hearing showed that service had in the year 1912 been withdrawn from this lateral and the commission's engineers estimated that in order to restore this service it would be necessary to lay a twelve-inch riveted steel pipe at a cost of \$374.00. The order provided that of this cost \$60.00 should be advanced by the consumers. In addition thereto the order provided that the cost of cleaning the ditch, which was estimated at \$140.00, should also be advanced by the consumers, making a total to be advanced by them of the sum of \$200.00.

Subsequent to the effective date of the order, the defendant herein filed its petition for rehearing, in which it specified the following grounds for rehearing:

1. That the sum of \$200.00, hereinabove referred to, was promised on an estimate that the cost of cleaning the ditch, repairing the flumes and

constructing pipe line would not exceed in all \$539.00, of which total the twelve-inch riveted steel pipe constructed would cost but \$374.00, as was estimated, in which figures of said estimate defendant submits there is error. Petitioner claims that the pipe itself will cost at San Francisco not less than \$456.84.

2. That it would be just and equitable that the water users should advance one-half of the sum of \$950.84 (the same being the total expense necessary for the first season, as estimated by defendant in its application for rehearing), and that the defendant should also be allowed the annual operating expense on the sum so invested in such reconstruction and rehabilitation of such lateral service.

Addressing ourselves to the first point made by defendant in its petition for rehearing, we desire to call attention to the fact that in the original order but \$60.00 of the \$200.00 to be advanced by the consumers was allowed on account of the relaying of pipe to take the place of the former siphon which was installed for the purpose of serving the lateral in question. The commission's engineers' estimate of this pipe is \$374.00. Defendant in its application for rehearing recites that the actual cost thereof under present prices would be \$456.00, or a difference of \$82.00 between the two figures. Since the original order only contemplated that of the \$200.00, \$60.00 was to be contributed towards the restoration of this pipe, it may be said that the order of the commission contemplated only that the consumers should contribute 13 per cent of the cost of that pipe. The difference, therefore, to the company between the original order and the allowance sought by them for this pipe would amount to \$10.66. Small as this difference may seem, we believe that the difference may be obviated by permitting defendant in lieu of the twelve-inch riveted steel pipe to use cement pipe, wood stave pipe, or greater length of flume construction of such size as will carry the equivalent in amount of water of the pipe ordered to be installed in the original order. This we shall allow in our order.

With defendant's contention that it is but just and equitable that the water users served by the lateral in question herein should advance one-half of the cost of restoring that service we can not agree. The conditions surrounding the company in that particular are as follows:

After the effective date of the Public Utilities Act, and without any order of this commission, the defendant company herein abandoned service along the ditch which served the consumers in this case. They withdrew from this lateral a large siphon and certain pipe and placed the same elsewhere in their system. The reason for abandoning the service was given by the company as being because they were unable to get an estimate of the water which was to be used during the season

of 1912. This lateral was a part of the general system of the Diamond Ridge Ditch Company. It was so-called "lean" territory and was not producing revenue comparable to that produced on the main ditch.

The consumers along that ditch were entitled to the service and that service has been illegally withdrawn from them. If the company's system as a whole was not, or is not, producing revenue sufficient to pay a reasonable return upon their investment and the other charges in connection with the service, its remedy was to apply to this commission for an increase in rates. We believe that the commission has been very liberal indeed in ordering any contribution whatsoever upon the part of the consumers for the restoring of the service which was rightfully theirs. The reasons for so doing were given in the original opinion and it is unnecessary to repeat them here.

There is no merit in petitioner's second point.

ORDER.

Application having been made by the defendant, Diamond Ridge Ditches, for rehearing and modification of the order of March 22, 1917, in this proceeding, and careful consideration having been given to the same,

It is hereby ordered that the paragraph in said order of March 22, 1917, herein, which is as follows, to wit:

"It is hereby ordered by the Railroad Commission of the state of California that the Diamond Ridge Ditches do accept from consumers deposits to the amount of two hundred (200) dollars, if such deposits are offered to defendant, and shall within a period of fifteen (15) days from the acceptance of such deposits begin work on cleaning the ditch, repairing flumes and building the pipe line and rapidly push same to completion;"

be, and the same is hereby, altered to read as follows:

"It is hereby ordered that the Diamond Ridge Ditches do accept from consumers deposits to the amount of two hundred (200) dollars if such deposits are offered to defendant, and shall, within a period of fifteen days from the acceptance of such deposits, begin work on cleaning the ditch referred to in the opinion herein, preparing flumes and building the pipe line and rapidly push the same to completion, it being understood that for the purpose of restoring this service to the consumers herein defendant be permitted, in lieu of the twelve-inch riveted steel pipe referred to in the opinion hereinabove, to use cement pipe, wood stave pipe or greater length of flume construction of such size as will carry the equivalent in amount of water of the pipe referred to in said opinion."

It is further ordered that in all other respects the petition of Diamond Ridge Ditches for rehearing be and the same is hereby denied.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4327.

CAZADERO IMPROVEMENT CLUB

vs.

CAZADERO WATER WORKS.

Case No. 1047.

Decided May 21, 1917.

Complainant alleges inadequate service and petitions the commission to compel respondent company to improve its system so as to render efficient service.

A lease between the owner of a water utility and another individual, entered into without authorization of this commission, is void and does not operate to release the owner from his obligation to properly conduct his system.

Service and facilities of respondent are found to be inadequate and it is required to construct a 10,000-gallon tank, install necessary mains and develop an additional water supply. Weekly reports required to be made to the commission showing progress of such work.

O. P. Trine, for Complainant.

George S. Montgomery, for Defendant.

BY THE COMMISSION.

OPINION.

This is a complaint by Cazadero Improvement Club, of Cazadero, Sonoma County, against the Cazadero Water Works, owned by George S. Montgomery.

The complaint alleges that the pipe lines of the system are in very bad condition and a large amount of water is lost through leakage, also that the storage tanks are not large enough and need repairing. It is further stated that no effort is being made by defendant to increase the water supply, although the population is increasing and the consumers have great difficulty in the summer months in securing a sufficient amount of water for their needs, causing them to suffer great inconveniences and to pay charges for water not received.

A public hearing in this proceeding was held before Examiner Encell at Cazadero May 1, 1917.

The water system owned by defendant supplied service to 40 consumers in 1916 for household and business purposes; a small amount of water was used for stock and the irrigation of lawns and gardens. The supply is obtained from Boulder Creek and from two springs, each furnishing water to different portions of the community, although the distributing system can operate as a unit to the extent that the small size of connecting pipe will permit.

This water system was constructed about seven years ago by R. C. Chapman and S. R. Break, who had a contract with George S. Montgomery to subdivide and sell his property in this vicinity. Later this

contract was canceled and a new one made with Break. About two years ago it developed that Break could not fulfill his contract and George S. Montgomery took back the unsold property and the water system came into his possession. The record does not show that anything was ever paid by Montgomery for this system and he could not name any amount or produce any figures which would show approximately what its cost had been.

The testimony shows that service has been very inadequate at times during the past year. One consumer testified that no water was received for a period of four months, excepting one-half hour, compelling her to carry water, although payment for service was regularly solicited. Another consumer testified that he had received no water for periods of three days at a time. There was cumulative testimony along the same line. In addition, it was testified that the maintenance of the springs had not been such as to keep them in good sanitary condition. A large amount of pipe is not covered, causing it to burst in winter from freezing, with consequent cessation of service.

No contention was made by the defendant that these statements were contrary to fact or that consistent efforts were being made to give efficient service. The owner of the system contended that he was in no way responsible for conditions as the system had been leased in 1916 to W. B. Quigley, who had operated the system. This purported lease was executed without the authority of the commission, and is therefore void and could not operate to release the owner from his obligation to properly conduct this water system.

It was contended by the defendant that the revenues from the system were not such as to justify expenditures for improvements, but as long as ownership of a public utility is claimed it is expected that service will be adequate. Owners have the privilege of making formal application to the commission for an adjustment of rates if the revenues are insufficient. No such application has ever been made. It appears that a royalty has been paid to the owner by the operator of the system, the balance being taken to cover the costs of operation. The evidence also shows that if better service were given the revenues would be greater, as some consumers have refused to pay for service which has not been received.

An inspection of the property was made by Milo H. Brinkley, one of the commission's engineers, who testified that the storage facilities were unusually meager, as was the capacity of the pipe lines for the number of consumers to be served. He recommended that certain improvements be carried out and advised that it was unnecessary to bring water from Ward Creek, the present supply on Boulder Creek being sufficient if the additional storage be provided. His plans provide for a tank of larger capacity at a higher elevation than the present

tank on Boulder Creek and the installation of pipe two inches in diameter to increase the capacity of the distributing system. The further development of the spring above the Snyder tank was recommended. Brinkley estimated the total cost of the suggested improvements at about six hundred (600) dollars.

We believe that the suggested improvements, or other facilities equally effective, should be constructed and it is also our opinion that better service will bring more revenue and the increase in returns will pay the annual charges on such improvements.

ORDER.

Complaint having been made by the Cazadero Improvement Club against the Cazadero Water Works, owned by George S. Montgomery, involving the service of water by said defendant to the members of said club and to other water users, and a public hearing having been had on such complaint, and the commission being fully advised in the premises, it is hereby found as a fact that the service and facilities of the defendant are inadequate and that the facilities herein ordered are proper and reasonable improvements, and basing this order on the foregoing findings of fact and the further findings of fact contained in the opinion preceding this order,

It is hereby ordered that the Cazadero Water Works or George S. Montgomery within fifteen (15) days from the date of this order submit plans to this commission and make arrangements for the purchase and erection of a tank of at least ten thousand (10,000) gallons capacity on Boulder Creek at a point about 40 feet higher in elevation than the present tank and for the purchase and installation of at least twelve hundred (1,200) feet of pipe two (2) inches in diameter or greater, which pipe shall be an extension of the present two-inch supply main on Boulder Creek and take the place of the present one-inch main, which one-inch main shall be taken up and relaid on other portions of the system where needed.

It is hereby further ordered that the Cazadero Water Works or George S. Montgomery, within sixty (60) days from the date of this order, construct the improvements as planned and in addition develop the spring supplying what is known as the Snyder tank, to a greater capacity by suitable construction.

It is hereby further ordered that the Cazadero Water Works or George S. Montgomery make weekly reports of the progress of construction as ordered until such improvements are finished.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4328.

IN THE MATTER OF THE APPLICATION OF F. A. WILSON AND THE
CORTE MADERA WATER COMPANY FOR FIXING AND ESTABLISH-
ING RATES IN THE TOWN OF CORTE MADERA.

Application No. 2751.

Decided May 21, 1917.

A municipality can not claim that a rate of \$22.50 per month for twenty hydrants or less and 50 cents for each additional hydrant is excessive solely on the grounds that the revenues of the community are insufficient to meet such payments. It is suggested that the town increase its assessed valuation sufficient to meet its proper obligations. Petition for rehearing dismissed.

John J. Mazza, for town of Corte Madera.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

By Decision No. 4190 of March 19, 1917, the commission fixed rates to be charged by F. A. Wilson, operating a public utility water system under the name of Corte Madera Water Company, for service of water in Corte Madera, Larkspur and vicinities, in the county of Marin, including a monthly rate of \$22.50 for fire service through 20 hydrants or less, and 50 cents through each additional hydrant installed.

The town of Corte Madera filed a petition for rehearing, making objection to the rate fixed for fire service and asking leave to introduce additional testimony on that question. The additional testimony and argument were heard on May 12 under the usual stipulation, to the effect that the testimony and argument then submitted would be considered by the commission as the testimony and argument which would be submitted if the commission should determine to grant a rehearing.

The additional testimony is to the effect that the assessed valuation of the property of the town of Corte Madera for the last fiscal year was \$480,240.00, and that the total amount of the town's revenue for the year was:

General taxes	\$4,802 40
Penalties on delinquent taxes.....	27 87
Business licenses	454 90
Interest on deposits.....	3 80
Total	\$5,288 97

The actual value of the property in the town was not developed nor was the percentage of actual value assessed, shown. It was stated, however, that the assessment was probably between 50 and 60 per cent of the actual cash value of the property. The necessary revenue can

apparently be procured by raising the assessed valuation. The business licenses shown above did not cover a full year's period.

The town of Corte Madera covers elevations ranging from about sea level to about 900 feet above sea level. Many of the hydrants are located upon high hills.

It was argued that the town having levied a rate of \$1.00 per \$100.00 of assessed valuation, the maximum limit permitted by law, the city is unable to raise additional revenue, that its entire present revenue is required for purposes other than fire protection, and that the city is therefore unable to pay the flat rate for fire service fixed by the order. The answer to this argument is that the town should increase its assessed valuation, if necessary, to enable it to meet its proper obligations.

A similar question was before the commission in the case of *Eshelman vs. Title Guarantee and Trust Company* (Vol. 10, Opinions and Orders of the Railroad Commission, p. 680). The commission, in its opinion on further hearing in that case, discussed quite fully the general subject of rates for fire service. It showed among other things, for purposes of comparison, a number of fire service rates fixed by California cities in various parts of the state, ranging in amounts from 25 cents to \$4.00 per month per hydrant. The rate heretofore fixed by the commission for fire service supplied by Marin Municipal Water District, including service in a number of communities in Marin County similar to that of Corte Madera, is \$1.50 per month per hydrant.

After further careful consideration, we find that the rate for fire service established in said Decision No. 4190 is just and reasonable, and should stand.

ORDER.

The town of Corte Madera having filed a petition for rehearing on the question of rates for fire service and for leave to introduce additional testimony on said question, and said additional testimony and the town's argument having been received and the matter being now submitted and ready for decision,

It is hereby ordered that the petition for rehearing be and the same is hereby denied.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4329.

JOHN STANTON

vs.

NATIONAL ICE AND COLD STORAGE COMPANY OF CALIFORNIA ET AL.

Case No. 914.*Decided May 21, 1917.*

BY THE COMMISSION.

ORDER OF DISMISSAL.

It appearing that the complainant does not desire at this time to proceed further in this proceeding,

It is hereby ordered that the complaint in this proceeding be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4330.

IN THE MATTER OF THE APPLICATION OF CALISTOGA WATER COMPANY AND CALIFORNIA TELEPHONE AND LIGHT COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING THE FORMER TO SELL AND CONVEY UNTO THE LATTER, AND THE LATTER TO PURCHASE AND ACQUIRE FROM THE FORMER ALL OF THE PROPERTY OF SAID CALISTOGA WATER COMPANY, AND AUTHORIZING SAID CALIFORNIA TELEPHONE AND LIGHT COMPANY TO ISSUE, SELL AND DELIVER TO THE FACE VALUE OF THIRTY-NINE THOUSAND DOLLARS, ITS FIRST MORTGAGE 6 PER CENT BONDS MATURING APRIL 1, 1943.

Application No. 2696.

Decided May 21, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The parties to the above proceeding having on May 10, 1917, filed stipulation for dismissal of the application,

It is hereby ordered that the same be and it is hereby dismissed, without prejudice.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4331.
THE CITY OF PASADENA
vs.
THE PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 1020.

Decided May 21, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the proceeding entitled as above having made written request that this action be dismissed,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of May, 1917.

DECISION No. 4332.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE CERTAIN SECURITIES OF PACIFIC LIGHT AND POWER CORPORATION AND VENTURA COUNTY POWER COMPANY TO ACQUIRE THE PROPERTIES AND FRANCHISES OF PACIFIC LIGHT AND POWER CORPORATION AND TO ISSUE STOCK, AND OF PACIFIC LIGHT AND POWER CORPORATION TO SELL ITS PROPERTIES AND FRANCHISES TO SOUTHERN CALIFORNIA EDISON COMPANY.

Application No. 2651.

Decided May 22, 1917.

Southern California Edison Company authorized to purchase 46,175 shares of first preferred, 96,602 shares of second preferred and 104,685 shares of common stock of the Pacific Light and Power Company and 3,417½ shares of preferred and 7,045 shares of common stock of the Ventura County Power Company, also \$5,000,000.00 face value of bonds of the Pacific company, together with notes and accounts amounting to \$1,096,048.41, and to issue in payment therefor 120,299 shares of second preferred stock and \$4,000,000.00 in cash. The Southern company is also authorized to purchase, and the Pacific company to sell, all of the latter's properties and franchises in exchange for 114,218 shares of common stock of the par value of \$100.00 per share.

Authorization conditioned upon: (1) The Southern company required to hereafter amortize, out of income, such portion of its capitalization as the commission shall direct; (2) The price paid for properties acquired shall not, hereafter, be binding upon the commission or other public body as representing the value of the properties for rate fixing or other purposes; (3) A stipulation shall be filed to the effect that no value shall ever be claimed for any franchise transferred in excess of its actual original cost.

1. In considering capitalization in relation to value, consideration should be given to reasonable and proper discounts honestly incurred in legitimate financing.

2. A consolidation of two large electric utilities, as here proposed, will effect a considerable saving in operating expenses, a reduction in capitalization, will prevent unnecessary duplication of facilities and effect a greater efficiency in the service of energy to the public.

H. H. Trowbridge, and Harry J. Bauer, for Southern California Edison Company.

Gibson, Dunn & Crutcher, J. Gibson, Jr., and S. M. Haskins, for Pacific Light and Power Corporation.

EDGERTON, Commissioner.

OPINION.

Applicants seek authorization permitting Pacific Light and Power Corporation to sell all of its property, including franchises to Southern California Edison Company; the latter company to purchase all of said property and certain of the capital stock of said Pacific Light and Power Corporation and stock of Ventura County Power Company, and to issue therefor stocks and securities as hereinafter set out.

The purpose of applicants is to bring about the complete consolidation of the properties and business of these companies under the corporate entity of Southern California Edison Company.

It is proposed that Southern California Edison Company purchase 46,175 shares of first preferred capital stock, 96,602 shares of the second preferred stock and 104,685 shares of the common stock, all of the par value of \$100.00 each, of Pacific Light and Power Corporation, and 3,417½ shares of the preferred stock and 7,045 shares of the common stock, all of the par value of \$100.00 each, of Ventura County Power Company and \$5,000,000.00 face value of first and refunding bonds of Pacific Light and Power Corporation, and notes and accounts of Pacific Light and Power Corporation to the amount of \$1,096,048.41; said Edison company to pay therefor the sum of \$4,000,000.00 in cash and 120,299 shares of the par value of \$100.00 of its second preferred 5 per cent cumulative nonparticipating capital stock. This would leave outstanding in the hands of the public capital stock of Pacific Light and Power Corporation of a par value as follows:

First preferred	\$382,500 00
Second preferred	314,800 00
Common	91,000 00
	<hr/>
	\$788,300 00

and shares of the capital stock of Ventura County Power Company of a par value as follows:

Preferred	\$9,030 00
Common	1,560 00
	<hr/>
	\$10,590 00

Also Southern California Edison Company proposes to purchase from Pacific Light and Power Corporation all of its properties and franchises, paying therefor to Pacific Light and Power Corporation 114,218 shares of the common stock of Southern California Edison Company of a par value of \$100.00 each.

It is not proposed at the present time that the property of Ventura County Power Company be transferred to Southern California Edison Company, but the latter company is purchasing nearly all of its outstanding capital stock and the only estimate of the value of this stock which has been presented in this proceeding is that of the engineers of applicants who place its value at \$314,800.90.

The entire property and business of Southern California Edison Company have been exhaustively investigated and reported on in the proceeding whereby the city of Los Angeles requested that the commission fix a price on the property of this company in the city of Los Angeles. Therefore the commission has before it accurate data with relation to all of the affairs of this company.

The information before the commission as to the other company, Pacific Light and Power Corporation, is very much less complete but is sufficient to enable the experts of the commission to arrive at an approximate opinion as to the value of its property, which approximate result has been checked by comparison with Southern California Edison Company.

Mr. Arthur R. Kelley and Mr. George L. Hoxie, engineers, submitted in this proceeding a report on behalf of applicants setting out their opinion of the property values of Pacific Light and Power Corporation. The values are as of October 31, 1916. Applicants in laying before us their opinion of property values presented several methods of arriving at values. These may be stated as follows:

(a) Investment cost of property (as per applicant's statement No. 3):

1. Southern California Edison Company as at present-----	\$30,311,328 93
2. Pacific Light and Power Corporation as at present-----	32,921,392 38
3. Both companies as at present-----	\$63,232,721 31
4. Both companies, in combination as proposed-----	63,547,522 21
5. Difference between No. 3 and No. 4-----	\$314,800 90

This difference of \$314,800.90 is the estimated value of 3,417½ shares of preferred stock and 7,045 shares of common stock of the Ventura County Power Company as purchased by the Edison company.

(b) Commercial Value of properties, rights, franchises, etc. (as per Hoxie-Kelley report of March 31, 1916; plus additions April 1 to October 31, 1916; plus "Other Assets" as per applicant's statement No. 2):

Pacific Light and Power Corporation-----	\$36,905,822 10
(The "commercial value" of Southern California Edison Company is not shown in the application.)	

(c) Reproduction cost.

A reproduction cost estimate is not submitted for either the Edison company or the Pacific corporation properties.

(d) Depreciated value of physical property (as per Hoxie-Kelley report, March 31, 1916) :

Pacific Light and Power Corporation----- \$25,232,230 00

This amount equals 84.4 per cent of the estimated investment cost of the physical property as of March 31, 1916 (Hoxie-Kelley report), which amounted to \$29,925,570.28.

The "depreciated value of physical property" is not given for the Southern California Edison Company's property.

L. R. Reynolds, auditor of the commission, has submitted a report on the book cost of the property of Pacific Light and Power Corporation and Southern California Edison Company.

Pacific Light and Power Corporation.

In these figures the book cost of franchises, rights of way and water rights have been eliminated as not representing cash costs of same. There has been eliminated certain adjustments made on the books by reason of the J. C. White & Co. appraisal of July 1, 1912, and an item of \$137,766.60 representing retired property still on the books of the company.

Book values March 31, 1916-----	\$29,593,958 72
Appreciation or depreciation to conform with J. G. White & Co.'s appraisal in July, 1912-----	1,454,712 90
Book figure March 31, 1916, after eliminating appreciation or depreciation -----	28,139,245 73
Add additions and betterments, April 1-October 30, 1916-----	497,391 15
	<hr/>
	\$28,636,636 88
Less retired property remaining on books of the company-----	137,766 60
	<hr/>
Book cost October 30, 1916-----	\$28,498,870 28

Southern California Edison Company.

In connection with Application No. 1424 Mr. Reynolds found the original book cost of this property to be as follows:

Physical plant -----	\$22,852,636 76
Intangible capital -----	1,156,459 28
	<hr/>
Total -----	\$24,009,096 04
The actual book charges to capital account from June 30, 1915, to October 31, 1916, are-----	343,433 67
	<hr/>
Resulting in a total book cost as of October 31, 1916, of-----	\$24,352,529 71

Mr. Richard Sachse, chief engineer of the commission, made a report in which he sets out, among other things, his opinion of property values.

Mr. Sachse states in this report that to arrive at tentative totals he used the underlying data as were used by applicants and that he

made only a general check of the figures submitted in the application. He stated, however, that in his opinion there is no necessity for a long and detailed valuation investigation because his approximate figures will not vary by more than 5 per cent from the totals which would be found after making a standard valuation.

Combined properties as of October 31, 1916.

	Reproduction cost	Reproduction cost less depreciation
1. Pacific Light and Power Corporation.....	\$29,665,705 79	\$25,115,448 67
2. Southern California Edison Company.....	24,352,529 71	20,150,937 87
Totals	\$54,018,235 50	\$45,266,386 54

Mr. Sachse calls attention to the fact that his figures do not include any deduction for property which will not be useful, or may be less useful than now, after the consolidation, due to obsolescence, duplication, or any other element that may enter by reason of changed operating and commercial conditions.

Furthermore he says that neither the figures submitted by the engineers of applicants nor his figures reflect any result which may be brought about by the severance of a portion of both companies' properties through acquisition by the city of Los Angeles.

Mr. Paul A. Sinsheimer, stock and bond expert of the commission, estimates that there are net current assets of these two companies of a value of \$2,096,000.00. Mr. Sinsheimer states that in considering capitalization in relation to value, consideration should be given to reasonable and proper discounts honestly incurred in legitimate financing. He places the discount for the two companies at \$2,600,000.00.

Following is a statement of the outstanding stocks, bonds and debts of each of the companies and of both companies consolidated as proposed:

	Bonds and debts	Stock outstanding	Total capitalization and debt
1. Southern California Edison Co.....	\$19,843,101 64	\$14,405,500 00	\$34,248,601 64
2. Pacific Light and Power Corporation	25,573,986 30	25,534,500 00	51,108,486 30
3. Both, as at present.....	45,417,097 94	39,940,000 00	85,357,097 94
4. Both, as proposed.....	44,321,049 21	27,020,572 00	71,341,621 21
5. Difference between No. 3 and No. 4...	1,096,048 73	12,919,428 00	14,015,476 73

Eleven million four hundred twenty-one thousand eight hundred dollars par value of common stock to be issued by Edison company to Pacific corporation is not included in the above because this stock is to go into the treasury of the latter company, of which Edison company

will own all but a small amount of the stock. Applicants state that this is the only practicable method by which the interests of these minority Pacific Light and Power Corporation stockholders may be preserved; because of the bonded debt of this company it can not be dissolved.

Mr. Sinsheimer has analyzed the proposal of applicants with particular relation to the capitalization proposed and using for purposes of calculation Mr. Sachse's reproduction cost less depreciation figure of \$45,266,386.54 and adding thereto net current assets, \$2,096,000.00, and deducting therefrom the net amount of bonds which will be outstanding he finds a remaining equity of \$11,932,386.54. To this he adds unamortized discounts of \$2,600,000.00, which gives a total net equity over the face of outstanding bonds of \$14,532,386.54.

As against this equity there will be outstanding:

Preferred stock -----	\$4,000,000 00
Second preferred stock -----	12,029,900 00
Common stock now outstanding -----	10,400,000 00
Common stock to be issued and which is taken into consideration in this computation -----	5,000,000 00

In addition, common stock will be issued to Pacific Light and Power Corporation of a par value of \$11,421,800.00. This stock, however, will be under the control of the Edison company through its ownership of the stock of Pacific Light and Power Corporation. Because of a minority interest of Pacific Light and Power Corporation, applicants consider the equity not controlled by Southern California Edison Company will amount to \$585,172.00.

The total outstanding common stock therefore may be considered as \$15,985,172.00.

Deducting from the equity above mentioned the par value of preferred stock, \$4,000,000.00, leaves a balance of \$10,532,386.54, which may be considered back of the second preferred stock of \$12,029,900.00, or a percentage of approximately 90 per cent of equity back of the second preferred stock, leaving nothing back of the common.

Mr. Sinsheimer has made another computation based upon the assumption that Southern California Edison Company will issue the \$5,000,000.00 of common stock recently authorized and with the proceeds retire \$5,000,000.00 of Pacific Light and Power Corporation bonds and \$1,696,000.00 of Pacific Light and Power Corporation floating debt. This computation which he urges is the most that could reasonably be claimed by applicants as to physical properties. He starts with the sum of \$54,018,235.50 as being the reproduction cost of the physical properties of both plants upon which there is a general agreement. He deducts therefrom the depreciation set up by these

companies to the first part of 1917, which amounts to \$5,550,503.22. This works out as follows:

Reproduction cost new of combined properties.....	\$54,018,235 50
Depreciation	5,550,503 22
Depreciated reproduction cost.....	\$48,467,732 28
Net current assets.....	2,096,000 00
Total value	\$50,563,732 28
Less face value of bonds.....	35,430,000 00
Balance	\$15,133,732 28
Discounts to be added for purposes of capitalization.....	2,600,000 00
Total	\$17,733,732 28
This is the equity to be measured against the stock.	
Preferred stock	4,000,000 00
	\$13,733,732 28
If we assume the second preferred stock of \$12,029,900.00 at 80	9,623,920 00
This gives a balance of.....	\$4,109,812 28

This is the amount under this method of calculation which would be available in the form of physical property for the common stock.

The combined net earnings of Pacific Light and Power Corporation and Southern California Edison Company for the calendar year 1916 after the payment of fixed charges, taxes and an ample allowance for depreciation amounted to \$1,500,969.82 and this gives ample assurance that the consolidated company with a less capitalization will be able to meet all of its obligations and provide for some dividends and this without considering savings to be brought about by consolidation.

Southern California Edison Company states that it proposes to exercise rights under all of the franchises which it acquired from Pacific Light and Power Corporation so that this consolidation will not result in a diminution of the opportunity of the public to obtain service.

Southern California Edison Company and Pacific Light and Power Corporation are negotiating with the city of Los Angeles to the end that the city will purchase from the companies their distributing systems located in that city and thereafter for the purchase of power from the companies. As this sale is not consummated it can not now definitely be determined what effect this sale may have upon the financial affairs of the consolidated company. However, we may safely assume that the companies will amply safeguard their interests in any such transaction and in any event this commission has jurisdiction to prevent such sale by withholding its sanction.

The advantages to the owners of the companies involved in this consolidation are obvious.

The Pacific Light and Power Corporation has a large hydroelectric development which is not and will not in the near future be put into full use unless this consolidation occurs. On the other hand Southern California Edison Company is using to capacity its hydroelectric installations, and unless this consolidation occurs will be confronted with the almost immediate necessity of increasing its production of electric power. Therefore, by this consolidation there are brought together two systems which complement each other in this respect. The considerable surplus of power now possible of generation in the plant of Pacific Light and Power Corporation will be brought into use for the consumers of Southern California Edison Company and this will provide for a very considerable expansion of business by the consolidated company without the necessity for large expenditures in increasing production capacity.

Furthermore, it is proposed to completely consolidate these plants and to operate thereafter as a unified whole, thus greatly decreasing operating expenses.

It is estimated by applicants that there will be a saving in operating expenses for the first few years of approximately \$400,000.00 a year, and the electrical engineers of this commission believe that this statement of probable savings is very conservative and may be stated as a minimum. It is their belief that the savings will be very much greater as the plants are consolidated and operating expenses are cut down and business increases.

The benefits of this consolidation to the public will be the elimination of the necessity for duplicate facilities and the greater efficiency made possible by the serving of a great community by one plant and organization.

Furthermore, the great and probably increasing proportionate decrease in operating expenses will make it possible in the future for the consolidated company to serve its consumers at lower rates.

I believe it to be unnecessary in this proceeding to come to a definite conclusion as to the value of the properties involved. It is apparent from the showing made that the capitalization in relation to value of property is not such as would be sanctioned by this commission if we were now considering the creation of a new public utility organization. But we can not approach the matter from this standpoint because we are dealing with two existing institutions, and we are informed by applicants that the proposed capitalization is as low as they have been able or will be able to bring about. In other words, that unless permitted to consolidate on the terms proposed, no consolidation is possible.

Therefore we are confronted with a situation where by consolidation total capitalization is considerably cut down and large savings are made in operating expenses and greater efficiencies will be brought about.

In my judgment this matter should be considered as a step in the right direction and as such should be sanctioned. It by no means should be considered a finality in the financial set-up of these consolidated organizations.

I would be unwilling to recommend that this application be granted as submitted with the understanding that the relationship between property and capitalization were to remain constant or as at present. I can recommend that this consolidation be authorized under the plan of capitalization contemplated only upon the condition that gradually the relationship between the property value and capitalization be brought to a more conservative basis. The applicant has asserted its desire and willingness to adopt such a course as a fixed policy to harmonize its financial framework with the general policies of this commission.

I therefore recommend that this application be granted and submit herewith the following form of order:

ORDER.

Application having been made by Southern California Edison Company and Pacific Light and Power Corporation for an order authorizing Southern California Edison Company to purchase certain of the stock of Pacific Light and Power Corporation and Ventura County Power Company and to purchase the property of said Pacific Light and Power Corporation, and for an order authorizing Pacific Light and Power Corporation to sell all of its property and franchises to said Edison company, all as set out in the foregoing opinion, and public hearing having been had, the commission being fully advised in the premises,

It is hereby ordered by the Railroad Commission of the state of California that Southern California Edison Company is hereby authorized to purchase 46,175 shares of the first preferred capital stock, 96,602 shares of the second preferred capital stock and 104,685 shares of the common capital stock of Pacific Light and Power Corporation and 3,417½ shares of the preferred capital stock and 7,045 shares of the common capital stock of Ventura County Power Company and 5,000 bonds of Pacific Light and Power Corporation issued under its first and refunding mortgage, each of the denomination of \$1,000.00, and notes and accounts of Pacific Light and Power Corporation to the amount of \$1,096,048.41, and authorization is hereby granted said Southern California Edison Company to pay therefor the sum of \$4,000,000.00 in cash and in addition to issue and deliver therefor

120,299 shares of its second preferred 5 per cent cumulative nonparticipating capital stock.

Southern California Edison Company is further authorized to purchase from Pacific Light and Power Corporation all of its properties and franchises as a whole and to pay therefor, and for that purpose to issue to Pacific Light and Power Corporation 114,218 shares of the common capital stock, par value \$100.00 each, of Southern California Edison Company.

For a full description of the property hereby authorized to be transferred, reference is had to the detailed description thereof attached to the application herein marked Exhibit "A" and filed in these proceedings.

Pacific Light and Power Corporation is hereby authorized to sell and transfer all of its property and franchises, as fully set out in said exhibit just above mentioned, to Southern California Edison Company.

This order is made upon the condition that Southern California Edison Company will hereafter amortize out of income such portion of its capitalization as the commission shall direct. Southern California Edison Company shall on or before the twenty-fifth day of each month hereafter report all transactions had under this order; provided, that the price at which the property herein mentioned is authorized to be purchased shall not be binding upon this commission or any other public body as representing the value of such properties for rate making or other purposes; provided, further, that this order shall not become effective until Southern California Edison Company shall have filed with this commission, for its approval, a stipulation, duly authorized by its board of directors, declaring that said Southern California Edison Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the franchises herein authorized to be purchased by said Southern California Edison Company in excess of the cost of such franchises to the original grantee or grantees.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of May, 1917.

Decisions Nos. 4333, 4334, 4335, 4336, 4337, 4338 and 4339, grade crossings; not printed. See end of volume.

DECISION No. 4340.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF ONE MILLION DOLLARS.

Application No. 2586.

Decided May 24, 1917.

Applicant authorized to use the sum of \$2,569.67 of the proceeds of bonds heretofore authorized to reimburse its treasury covering capital expenditures made during the month of December, 1916.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California by Decision No. 3816, dated October 24, 1916, authorized applicant herein to issue \$1,000,000.00 face value of its first mortgage 5 per cent forty-year gold bonds under its supplemental indenture of first mortgage dated July 27, 1910; and

Whereas condition Number 2 of said Decision No. 3816, dated October 24, 1916, reads as follows:

“The bonds herein authorized to be issued shall be issued for the purpose of reimbursing applicant for a portion of the expenditures set forth in Exhibit “II” as amended and filed with the application herein, and thereafter the proceeds from the sale of the bonds herein authorized to be issued shall be placed in a special fund and used by applicant only for additions and betterments under supplemental orders from this commission”; and

Whereas applicant herein on May 22, 1917, filed in the above-entitled matter its third supplemental application showing that during the month of December, 1916, it has expended for capital purposes the sum of \$2,569.67, said capital expenditures being shown in detail in Exhibit “A” attached to said third supplemental application; and

Whereas applicant herein asks authority to use \$2,569.67 of the proceeds obtained from the sale of the aforesaid \$1,000,000.00 face value of bonds, to reimburse its treasury for said capital expenditures, amounting to \$2,569.67; and

Whereas the Railroad Commission finds that the said sum of \$2,569.67 has been expended for proper capital purposes, and is not in whole or in part reasonably chargeable to operating expenses or income; and good cause appearing.

It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby authorized to use \$2,569.67 of the proceeds obtained

from the sale of its \$1,000,000.00 face value of its first mortgage 5 per cent 40-year gold bonds, the issue of which was authorized by Decision No. 3816, dated October 24, 1916, to reimburse its treasury for capital expenditures incurred during the month of December, 1916; said capital expenditures amounting to \$2,569.67, being set forth in Exhibit "A" attached to the said third supplemental application filed with this commission on May 22, 1917.

It is hereby further ordered that this commission's Decision No. 3816, dated October 24, 1916, as amended by the supplemental orders of the Railroad Commission, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-fourth day of May, 1917.

DECISION No. 4341.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF ONE MILLION DOLLARS.

Application No. 2586.

Decided May 24, 1917.

Applicant authorized to use the sum of \$41,255.13 of the proceeds of bonds heretofore authorized to reimburse its treasury covering capital expenditures made during the months of January, February and March, 1917.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California by Decision No. 3816, dated October 24, 1916, authorized applicant herein to issue \$1,000,000.00 face value of its first mortgage 5 per cent forty-year gold bonds under its supplemental indenture of first mortgage, dated July 27, 1910; and

Whereas condition Number 2 of said Decision No. 3816, dated October 24, 1916, reads as follows:

"The bonds herein authorized to be issued shall be issued for the purpose of reimbursing applicant for a portion of the expenditures set forth in Exhibit "II" as amended and filed with the application herein, and thereafter the proceeds from the sale of the bonds herein authorized to be issued shall be placed in a special fund and used by applicant only for additions and betterments under supplemental orders from this commission"; and

Whereas applicant herein on May 22, 1917, filed in the above-entitled matter its fourth supplemental application showing that during

the months of January, February and March, 1917, it has expended for capital purposes the sum of \$41,255.13, said capital expenditures being shown in detail in Exhibit "A," attached to said fourth supplemental application; and

Whereas applicant herein asks authority to use \$41,255.13 of the proceeds obtained from the sale of the aforesaid \$1,000,000.00 face value of bonds, to reimburse its treasury for said capital expenditures, amounting to \$41,255.13; and

Whereas the Railroad Commission finds that the said sum of \$41,255.13 has been expended for proper capital purposes, and is not in whole or in part reasonably chargeable to operating expenses or income; and good cause appearing,

It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby authorized to use \$41,255.13 of the proceeds obtained from the sale of its \$1,000,000.00 face value of its first mortgage 5 per cent forty-year gold bonds, the issue of which was authorized by said Decision No. 3816, dated October 24, 1916, to reimburse its treasury for capital expenditures incurred during the months of January, February and March, 1917; said capital expenditures amounting to \$41,255.13, being set forth in Exhibit "A" attached to the said fourth supplemental application filed with this commission on May 22, 1917.

It is hereby further ordered that this commission's Decision No. 3816, dated October 24, 1916, as amended by the supplemental orders of the Railroad Commission, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this twenty-fourth day of May, 1917.

DECISION No. 4342.

IN THE MATTER OF THE APPLICATION OF HANFORD GAS AND POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS.

Application No. 2639.

Decided May 24, 1917.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas this commission by Decision No. 4321, dated May 17, 1917, authorized Hanford Gas and Power Company to execute a mortgage and deed of trust upon its property substantially in the form of a mortgage and deed of trust filed in the above-entitled matter and marked "Exhibit A"; and

Whereas Hanford Gas and Power Company now asks the commission to issue its order authorizing it to execute in lieu of the mortgage and deed of trust authorized to be executed by said Decision No. 4321, dated May 17, 1917, a mortgage and deed of trust substantially in the same form as the mortgage and deed of trust filed with the commission on May 23, 1917, in the above-entitled matter and marked "Exhibit A Amended," and good cause appearing,

It is hereby ordered that Hanford Gas and Power Company be and it is hereby authorized to execute, in lieu of the mortgage and deed of trust authorized to be executed by said Decision No. 4321, dated May 17, 1917, a mortgage and deed of trust upon its property in substantially the same form as the mortgage and deed of trust filed with this commission on May 23, 1917, in the above-entitled matter and marked "Exhibit A Amended."

It is hereby further ordered that Decision No. 3967, dated December 29, 1916, as amended by the supplemental orders thereto, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-fourth day of May, 1917.

DECISION No. 4343.

IN THE MATTER OF THE APPLICATION OF THE MIDLAND COUNTIES PUBLIC SERVICE CORPORATION AND THE SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE CONSTRUCTION OF PIPE LINES TO SERVE NATURAL GAS.

Application No. 2761.

(Amended and Supplemental)

Decided May 24, 1917.

Applicant and protestant, Santa Maria Gas and Power Company, having filed a stipulation agreeing as to the division of territory to be served by the two companies, Midland Counties Company is granted a certificate, preliminary to the securing of a franchise, permitting the construction and operation of gas transmission lines in Santa Barbara and San Luis Obispo counties, including the service of gas to consumers in the towns of Pismo and Avila.

San Joaquin Light and Power Company granted a preliminary certificate permitting the construction and operation of a steam electric plant at Betteravia and the construction of a transmission main from such plant to the main of Midland Counties Company for the purpose of supplying such plant with fuel gas.

Short & Sutherland, by *W. A. Sutherland*, for Applicant.

Chickering & Gregory, by *George Whipple*, for Santa Maria Gas and Power Company.

LOVELAND, *Commissioner*.

OPINION.

The original application No. 2761 was filed on February 13, 1917, by the Midland Counties Public Service Corporation, hereinafter designated as Midland Counties company, requesting an order preliminary to the issue of a certificate that the present and future public convenience and necessity require and will require that company to exercise rights and privileges under a franchise to be obtained from the county of San Luis Obispo and to serve with natural gas the towns of Pismo and Avila and customers along its four-inch high pressure line from Oilport to San Luis Obispo.

A hearing in this matter was held at San Francisco on March 12, 1917, at which time the Santa Maria Gas and Power Company, hereinafter designated as Santa Maria company, intervened to object to any entrance by Midland Counties company into territory served by it.

It developed at the hearing that San Joaquin Light and Power Corporation, hereinafter designated as San Joaquin company, had constructed a 4-inch line some two miles in length connecting its steam electric plant at Betteravia to the Midland Counties company's 8-inch gas line from the oil fields in Santa Barbara County to Oilport, San Luis Obispo County, and had entered into an agreement with the latter company for the transportation of natural gas for use in the said plant. Under the circumstances it was agreed that subsequent to the hearing in and submission of the original application an amended application should be filed jointly by the Midland Counties company and the San Joaquin company requesting an order preliminary to the issuance of a certificate of public convenience and necessity, as both companies were involved in the matter.

On April 2, 1917, an amended application was filed jointly by the Midland Counties company and the San Joaquin company. This amended application did not fulfill all the necessary requirements and thereafter, upon request, applicants filed on May 19, 1917, a joint amended and supplemental application.

Midland Counties Public Service Corporation requests that the commission declare that public convenience and necessity require and will require the exercise by it of rights and privileges granted to it under franchises which it alleges have been obtained from the counties of Santa Barbara and San Luis Obispo and the service by it of gas in the towns of Avila and Pismo, county of San Luis Obispo, and along its 4-inch pipe line from Oilport to San Luis Obispo, none of which territory is now served.

Midland Counties company has not filed as yet copies of franchises which it states have been obtained.

San Joaquin company asks for a certificate that the present and future public convenience and necessity require and will require the construction and operation of its steam plant at Betteravia.

Midland Counties Public Service Corporation is the owner of an 8-inch pipe line for the transmission of natural gas extending from the Santa Maria oil fields, county of Santa Barbara, approximately 40 miles in a northwesterly direction to a point approximately one-half mile east of the town of Avila in the county of San Luis Obispo. This line, at the present time, is being used only by the Midland Counties company and the San Joaquin company for the purpose of transmitting natural gas used by Midland Counties company for distribution to its consumers in the city of San Luis Obispo and adjacent territory, and by San Joaquin company in its steam electric plant at Betteravia. Gas for San Luis Obispo is conveyed from the main line near Oilport by means of a 4-inch pipe line extending through territory not now served by a utility of like character and connecting to the San Luis Obispo distributing system.

In order to obtain rights of way for the 4-inch line to San Luis Obispo Midland Counties company was required to agree to serve certain parties along said line. Midland Counties company has about 30 applicants in Pismo, to serve which will require an investment of approximately \$1,200.00 and result in a gross revenue of at least \$720.00. In Avila it is estimated there will be 60 consumers, costing about \$1,692.84 to serve, and that the gross revenue will amount to \$1,500.00.

San Joaquin Light and Power Corporation has constructed a steam plant at or near the town of Betteravia, Santa Barbara County, for the purpose of bettering the electric service to the Midland Counties company and a gas main from the 8-inch main of the latter company, a distance of approximately two miles to its steam plant to supply that plant with natural gas for fuel, the gas being owned by San Joaquin company and transported from the fields by Midland Counties company.

Midland Counties company proposes to charge consumers for natural gas at Pismo and Avila and along the line to San Luis Obispo the same rates as are effective on its system in the city of San Luis Obispo, viz:

- First 5,000 cubic feet per month, 75 cents per 1,000 cubic feet.
- Next 20,000 cubic feet per month, 50 cents per 1,000 cubic feet.
- All over 25,000 cubic feet per month, 35 cents per 1,000 cubic feet.
- Monthly minimum charge per meter installed, 85 cents.

Santa Maria Gas and Power Company transmits and distributes natural gas for domestic, commercial and industrial purposes in the

northern part of Santa Barbara County, serving Santa Maria, Guadalupe, Betteravia and intervening territory and in a part of San Luis Obispo County, including the towns of San Luis Obispo, Arroyo Grande, Los Berros and Nipomo.

The Santa Maria company opposes the Midland Counties company or San Joaquin company serving gas in those portions of Santa Barbara County and San Luis Obispo County now being served by it.

The transmission mains of the Santa Maria company and the Midland Counties company do not follow the same general course through San Luis Obispo County and no gas is now supplied along the latter company's line or in the towns of Pismo and Avila by the Santa Maria company.

The two applicants and the Santa Maria company agreed regarding the question of service in general and filed a joint stipulation on April 12, 1917, covering stipulation made at the hearing and satisfying the objections of Santa Maria company.

The stipulation entered into between counsels for San Joaquin Light and Power Corporation, Midland Counties Public Service Corporation and Santa Maria Gas and Power Company is as follows:

"It is hereby stipulated and agreed by and between counsel for the applicants in the above entitled matter, and counsel for the Santa Maria Gas and Power Company as follows:

I.

"That the applicant, San Joaquin Light and Power Corporation, will use only for the purpose of operating a steam plant at Betteravia, the gas to be transported to said town of Betteravia, as set forth in the amended application on file herein, and will not serve or deliver gas to any consumer at said town of Betteravia, or through the line owned by it without the order of the Railroad Commission.

II.

"That applicant, Midland Counties Public Service Corporation, will not serve any consumer on any portion of the by-pass line owned by it, and crossing the Santa Maria River near the town of Guadalupe, and will deliver no gas into the line owned by applicant, San Joaquin Light and Power Corporation, except for use by said last named applicant, without securing an order from the Railroad Commission for that purpose.

III.

"That applicant, Midland Counties Public Service Corporation, will not serve any consumers from the main line described in its application herein, between the Santa Maria oil fields and the Santa Maria River without the permission of the Railroad Commission, except where such service is consented to by the Santa Maria Gas and Power Company.

IV.

“In consideration of the above stipulation by applicants herein, Santa Maria Gas and Power Company agrees that it will not oppose the granting of the order being prayed for.”

Considering the facts as shown by the evidence in this proceeding and the stipulation between the various parties and the amended and supplemental application filed, I believe that the application should be granted and recommended the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to this commission for a certificate that public convenience and necessity require and will require the construction of pipe lines to serve natural gas in the territory hereinafter described, and a public hearing having been held and the matter having been submitted with the understanding that an amended application be filed by the Midland Counties Public Service Corporation and the San Joaquin Light and Power Corporation, and that a stipulation be signed by the parties in interest; and said Midland Counties Public Service Corporation and San Joaquin Light and Power Corporation having filed an amended application satisfactory to the commission, and the parties in interest having filed said stipulation, and the protest heretofore referred to having thereby been withdrawn and the matter being now ready for decision, and it appearing that public convenience and necessity will be subserved by the exercise of franchise rights by the Midland Counties Public Service Corporation as limited by the stipulation heretofore quoted and also served by the construction and operation by San Joaquin Light and Power Corporation of its steam plant at Betteravia and the use of natural gas therein,

It is hereby declared that public convenience and necessity will require the exercise by Midland Counties Public Service Corporation of the franchise to be obtained by it from the counties of Santa Barbara and San Luis Obispo in so far as necessary to operate its present lines and to construct and operate lines to serve the towns of Pismo and Avila, and along and adjacent to applicant's transmission line from Oilport to San Luis Obispo and to other territory in San Luis Obispo County and Santa Barbara County, subject to the requirements as set forth in the stipulation filed with the commission and included in the opinion herein, and the service of consumers in that territory; final order in this application to be made after Midland Counties Public Service Corporation shall have acquired said franchise as aforesaid from the county of San Luis Obispo and the county of Santa Barbara, and shall have filed copies of same with the Railroad Commission of the state of California and subject to such terms and conditions as this commission may designate.

It is further declared that public convenience and necessity require and will require San Joaquin Light and Power Corporation to construct and operate a steam electric plant at Betteravia and a gas transmission main connecting its steam plant at Betteravia with the Midland Counties Public Service Corporation's transmission main near that town, the gas main to be used for the purpose only of supplying San Joaquin Light and Power Corporation's steam plant with natural gas for fuel.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fourth day of May, 1917.

DECISION No. 4344.
CALISTOGA ELECTRIC COMPANY
vs.
NAPA VALLEY ELECTRIC COMPANY.

Case No. 508.

COMMISSION'S INVESTIGATION INTO RATES OF NAPA VALLEY
ELECTRIC COMPANY.

Case No. 538.

CALISTOGA ELECTRIC COMPANY
vs.
NAPA VALLEY ELECTRIC COMPANY.

Case No. 967.

Decided May 24, 1917.

When in the course of a hearing before the commission, a report by one of the commission's engineers is put in evidence and the engineer making such report is subject to examination and cross-examination by parties in interest and such hearing is adjourned to give parties an opportunity to study such report, they can not afterwards contend, as grounds for a rehearing, that they were not given an opportunity to examine and criticize the same.

The commission's power to fix rates of a public utility irrespective of existing contracts is not confined to ordinary consumers only but includes also cases where one electric utility furnishes service to another company of a like nature, whether by contract or otherwise, for general distribution to the public.

Petition for rehearing dismissed.

Milton T. U'Ren and *D. L. Bear*, for Napa Valley Electric Company.
J. C. Meyerstein, for Calistoga Electric Company.

EDGERTON, *Commissioner*.

OPINION ON APPLICATION FOR REHEARING.

The material grounds set up in this application for rehearing are that the commission was influenced in making its order by a report of its engineers, the contents of which report were never disclosed to the companies interested and therefore no opportunity was given to meet either the statement of facts or the opinions contained in such report.

Also it is contended that while the commission has power to fix rates regardless of contracts for a public utility service between the public utility and its consumers, it has no such power to fix rates for electrical service rendered by one company to another, particularly where a contract exists evidencing an agreement as to such rates between such companies.

This matter was set down for a hearing and at such hearing the report of the engineers of this commission, inspection of which had theretofore been denied the parties herein, was put in evidence and Mr. Arthur F. Bridge, one of the commission's electrical engineers, who made this report, was placed upon the witness stand and full opportunity was given petitioners to examine and cross-examine Mr. Bridge.

At the suggestion of petitioners the hearing was adjourned to give opportunity for a study of this report. Thereafter at the adjourned hearing petitioners announced that they did not desire to contest this report. Petitioners introduced no evidence nor made any argument which was at all convincing that the order of the commission heretofore made should be either modified or annulled.

As to the contention of petitioners that a company which furnishes electric energy to another company for compensation is not within the jurisdiction of this commission as to the rate to be charged for such service, it will be sufficient to call attention to the provisions of a part of subsection (bb) of section 2 of the Public Utilities Act as follows:

“* * * Furthermore, when any person or corporation performs any service or delivers any commodity to any person or persons, private corporation or corporations, municipality or other political subdivision of the state, which in turn either directly or indirectly, mediately or immediately, perform such service or deliver such commodity to or for the public or some portion thereof, such person or persons, private corporation or corporations and each thereof is hereby declared to be a public utility and to be subject to the jurisdiction, control and regulation of the commission and to the provisions of this act.”

Petitioners sell electric energy to another company which in turn sells this energy to a large number of consumers and the contention that the commission has no jurisdiction over the rate charged by

petitioners for the electric service to this other company is without merit.

I recommend that the petition for rehearing be denied, and submit the following form of order:

ORDER.

Petition having been made to this commission for an order granting a rehearing in the above-entitled matters and a hearing having been had on such petition and the matter submitted, and the commission being fully advised in the premises,

It is hereby ordered by the Railroad Commission of the state of California that for the reasons set out in the foregoing opinion, this petition is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fourth day of May, 1917.

Decisions Nos. 4345, 4346 and 4347, grade crossings; not printed. See end of volume.

DECISION No. 4348.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND ARIZONA RAILWAY COMPANY FOR AN ORDER AUTHORIZING ISSUE AND SALE OF BONDS.

Application No. 808.

Decided May 28, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER No. 13.

Supplemental application having been made by the San Diego and Arizona Railway Company, a corporation, on May 24, 1917, for permission to purchase material and to let a contract for the erection of a steel viaduct over Campo Creek, to be entered into with Twohy Brothers Company; and it appearing to the commission that this application should be granted,

It is hereby ordered by the Railroad Commission of the state of California that this application be and the same is hereby approved and applicant is granted permission to purchase the material and to enter into a contract with said Twohy Brothers for the erection of this viaduct.

Dated at San Francisco, California, this twenty-eighth day of May, 1917.

DECISION No. 4349.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE EXCHANGE OF UNDERLYING BONDS FOR FIRST AND REFUNDING MORTGAGE BONDS OF THE CORPORATION.

Application No. 2922.

Decided May 28, 1917.

Applicant authorized to issue \$10,000.00 face value of its Series "C" first and refunding mortgage bonds for the purpose of retiring a like face value of bonds of the Bakersfield Gas and Electric Light Company.

BY THE COMMISSION.

ORDER.

Whereas this commission in Decision No. 1525, dated May 18, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 1036), authorized San Joaquin Light and Power Corporation to issue \$3,051,000.00 face value of first and refunding mortgage Series "B" 5 per cent bonds, at not less than their face value, for the purpose of retiring outstanding underlying bonds; and

Whereas there were included among said underlying bonds \$16,000.00 face value of Bakersfield Gas and Electric Light Company first mortgage 6 per cent bonds; and

Whereas the time within which bonds may be exchanged under the terms of said Decision No. 1525, expired on December 31, 1916; and

Whereas San Joaquin Light and Power Corporation has now represented to this commission that it still has outstanding \$10,000.00 face value of Bakersfield Gas and Electric Light Company first mortgage 6 per cent bonds which it desires to exchange for first and refunding mortgage bonds of San Joaquin Light and Power Corporation; and

Whereas San Joaquin Light and Power Corporation has further represented to this commission that Series "B" of its first and refunding bond issue has been closed and that the bonds issued subsequently have been designated as Series "C," said series bearing interest at 6 per cent per annum; and it appearing to this commission that this is not a matter in which a further hearing is necessary and that the money or property to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to issue \$10,000.00 face value of its Series "C" first and refunding mortgage bonds in exchange for and

upon the cancellation of a like amount face value of first mortgage 6 per cent bonds of Bakersfield Gas and Electric Light Company.

The authority herein granted is granted upon the following conditions:

1. San Joaquin Light and Power Corporation shall keep separate, true and accurate accounts relative to the issue and exchange of bonds as herein authorized and on or before the twenty-fifth day of each month, the company shall make verified reports to the Railroad Commission stating the issue of said bonds during the preceding month, and the terms and conditions of the issue, all in accordance with this commission's General Order No. 24, which order in so far as applicable is made a part of this order.

2. The authority herein granted to San Joaquin Light and Power Corporation to issue bonds is conditioned upon the payment by San Joaquin Light and Power Corporation of the fee prescribed by the Public Utilities Act.

3. The authority herein granted to issue and exchange bonds shall apply only to such bonds as shall have been issued or exchanged on or before June 30, 1918.

Dated at San Francisco, California, this twenty-eighth day of May, 1917.

DECISION No. 4350.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO ISSUE SEVENTY-TWO THOUSAND DOLLARS FACE VALUE OF FIRST AND REFUNDING MORTGAGE BONDS, SERIES "C," TO REIMBURSE ITS TREASURY.

Application No. 2923.

Decided May 28, 1917.

Applicant granted permission to issue and sell \$72,000.00 face value of bonds heretofore authorized for the purpose of purchasing transformers, such bonds to be sold at not less than 96, proceeds to be used to reimburse treasury covering capital expenditures made prior to December 31, 1916.

BY THE COMMISSION.

ORDER.

Whereas this commission in Decision No. 3489, dated July 7, 1916 (Vol. 10, Opinions and Orders of the Railroad Commission of California, page 536), authorized San Joaquin Light and Power Corporation to issue \$666,500.00 of its first and refunding mortgage bonds, series "C," at not less than 96 per cent of their face value and accrued interest; and

Whereas applicant was directed by said Decision No. 3489, to use \$232,000.00 of the proceeds obtained through the issue of said \$66,500.00 of bonds to purchase consumers' transformers as required by this commission in its Decision No. 3241 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 542); and

Whereas applicant has now represented to this commission that it has on hand at the present time and unsold \$72,000.00 face value of said bonds reserved for purchase of consumers' transformers, which bonds it does not anticipate will be immediately needed for the purpose for which they were authorized; and

Whereas applicant has now represented to this commission that it has expended for capital account prior to December 31, 1916, in excess of \$106,000.00, for which it has not been reimbursed through moneys received from the issue of stock, bonds, notes or other evidences of indebtedness; and

Whereas applicant has requested this commission for authority to use said \$72,000.00 face value of bonds for the purpose of reimbursing its treasury for 85 per cent of expenditures in the sum of \$84,700.00, said \$84,700.00 being a portion of the \$106,000.00 of capital expenditures for which applicant claims reimbursement; and

Whereas applicant has represented to this commission that the granting of this application would in nowise delay the purchase of consumers' transformers as required by said Decision No. 3241; and

It appearing to this commission that applicant's request is reasonable and may be granted and that this is not a matter in which a further hearing is necessary and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to issue \$72,000.00 face value of the first and refunding mortgage bonds, series "C," originally authorized for the purchase of consumers' transformers by said Decision No. 3489, dated July 7, 1916, to reimburse its treasury for 85 per cent of \$84,700.00 of capital expenditures made prior to December 31, 1916, said expenditures being set forth in a certificate tendered Equitable Trust Company of New York, dated March 27, 1917, a copy of said certificate having been filed with this commission in Application No. 2354, on March 31, 1917.

This authority is granted upon the following conditions:

1. The bonds herein authorized to be issued shall be sold so as to net applicant not less than 96 per cent of their face value and accrued interest.

2. San Joaquin Light and Power Corporation shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply only to such bonds as shall have been issued on or before July 1, 1917.

Dated at San Francisco, California, this twenty-eighth day of May, 1917.

DECISION No. 4351.

IN THE MATTER OF THE APPLICATION OF THE COUNTY OF ORANGE FOR AN ORDER AUTHORIZING IT TO CONSTRUCT A CROSSING OVER THE TRACKS OF THE SOUTHERN PACIFIC RAILROAD COMPANY AND THE PACIFIC ELECTRIC RAILWAY COMPANY AT LA BOLSA, ORANGE COUNTY, CALIFORNIA.

Application No. 2808.

AS THE MATTER OF THE APPLICATION OF THE COUNTY OF ORANGE, ALSO OF THE CITY OF HUNTINGTON BEACH, FOR AN ORDER AUTHORIZING IT TO CONSTRUCT A CROSSING OVER THE TRACKS OF THE SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2809.

IN THE MATTER OF THE APPLICATION OF THE CITY OF HUNTINGTON BEACH FOR THE ESTABLISHMENT OF A CROSSING AT INDIANAPOLIS STREET, ACACIA AND MAGNOLIA AVENUES AND MEMPHIS STREET IN SAID CITY OVER THE LINE OF THE SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2830.

Decided May 29, 1917.

Permission of this commission authorizing the construction of crossings at grade is unnecessary when such crossings have been open and in use for a considerable period of time. Application for permission to construct Acacia and Indianapolis streets and Magnolia avenue, dismissed.

Applicants granted permission to open Main and Memphis streets at grade across tracks of Southern Pacific Company; provided, that prior to the opening of Memphis street, Indianapolis street be closed to traffic, and also provided that Southern Pacific Company install, within six months from date of order, an automatic flagman at Acacia street crossing.

S. P. Nelson, for city of Huntington Beach.

Thomas B. Talbert, for county of Orange.

George D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

The first of these applications is for a crossing in unincorporated territory in Orange County, the second for a crossing which lies half within the city of Huntington Beach and half within the county, and the third for four crossings within the city of Huntington Beach. As all of the crossings covered in these three applications are on the same branch line railroad of the Southern Pacific Company and include all the undedicated crossings between the Main street county crossing at La Bolsa, to the north, and Magnolia avenue, the city crossing to the south, and serve practically the same territory, they were heard together and can be conveniently covered by one opinion and order.

The proposed crossing of Main street at La Bolsa is adjacent to an existing right angle crossing at a point on the railroad where an east and west road and a northeast and southwest road come together. The application is in effect a request for permission to widen the existing crossing so traffic can go from one road to the other without the slight detour now necessary. It appears that there would be no increase in the hazard if this change were made, and I shall recommend that the permission sought be granted.

The joint application of the city of Huntington Beach and Orange County, Application 2809, looks to opening Clay, an east and west street, over the main line and siding of the railroad. This crossing, it is claimed, would afford direct access for an oilcloth factory and a cannery company, which has lately been established in an old warehouse, both of which are east of the railroad. It does not appear that at the present time any other traffic would be served, although it is possible that when the proposed cannery is actually in use some traffic from the northeast would find Clay street its most convenient route. Traffic from the two industries at the present time follows Clay street easterly to Seventeenth street, an improved county road, thence it turns southwest on Seventeenth, crosses underneath the railroad by a subway on that street, and follows the same street to the city. Huntington avenue, a north and south street, intercepts Clay street a short distance from these plants and forms a shorter route to the subway. This street, however, is not improved and the land which it traverses is so low that it is impassable in the winter time. It is the contention of the applicants that if Clay street were opened traffic would cross the track there, strike Twenty-third avenue to the west of the crossing and follow that street and Main street to Huntington Beach.

The proposed crossing at Clay street would be more or less dangerous. The right of way of the railroad company is narrow and the view of trains approaching from the south would be obstructed both by the cannery, which has been mentioned, and by a cut between Clay and the subway at Seventeenth street. I am convinced that the commission should not permit this crossing to be opened without the installation of a crossing bell, the cost of which seems to be about the same as the cost of improving Huntington avenue. As far as safety is concerned there would be no comparison between the two routes, even were Clay street protected by a bell, as the route by Huntington avenue and Seventeenth street would entirely avoid a railroad grade crossing. I am of the opinion that at this time the traffic which would use Clay street is not sufficient to warrant the opening of a crossing at that point, especially since a subway would be made available to the same traffic, as I said before, by the expenditure of a few hundred dollars for improving Huntington avenue.

In the last application (No. 2830) the city alone is concerned. Although it asks permission to open Indianapolis street, Acacia street and Magnolia avenue over the track, it appears that these crossings are now open and have been used for about ten years. This apparently makes them public crossings and no action upon the part of the commission is necessary to permit them to be kept open. I may say, however, that Acacia and Magnolia appear to be needed. The need for Indianapolis depends upon the disposition of the new crossing at Memphis street which the city seeks to open and which will be discussed later.

With the consent of counsel for Southern Pacific Company, the application of Huntington Beach was amended to ask for the installation of suitable protection at Acacia street. This street is paved and carries the heaviest traffic of any considered in these three matters. The view at three of the corners is badly obstructed and the testimony clearly confirms my own observations on the ground and the opinion of the commission's engineering department that this crossing needs protection. I believe the railroad company should install an automatic flagman here and shall make a recommendation to that effect in the order.

Memphis street is the only crossing in the application made solely by the city (Application 2830) which is not now a public crossing. If opened it will serve ten or twelve families which live adjacent to it and who now find it difficult to go to and from their homes during the winter, as all streets and roads which lead to them are unimproved and subject to overflow. Memphis street is sufficiently higher to be free from overflow. It seems to be the opinion of the city officials, and of the other witnesses who testified, that Memphis would be a more important street than Indianapolis, the next street to the south, and that the latter street

could be closed if Memphis were opened. I can see the need of a crossing at Memphis and this seems to me to be a reasonable solution of the matter. I believe that it should be worked out in that way and recommend the following form of order:

ORDER.

City of Huntington Beach, Orange County, California, and Orange County, California, having applied to the commission for permission to open certain public highways at grade over the tracks of Southern Pacific Company, and a public hearing having been held, and the commission being fully apprised in the premises,

It is hereby ordered that permission be and the same hereby is granted Orange County to construct Main street at grade over the tracks of Southern Pacific Company, at the point and in the manner shown by the map attached to Application 2808, subject to the following conditions, viz:

(1) The entire expense of constructing the crossing, together with the cost of its maintenance thereafter in good and first-class condition for the safe and convenient use of the public, shall be borne by applicant, except for the portion between the rails and two (2) feet outside thereof, which shall be maintained by Southern Pacific Company.

(2) Said crossing shall be constructed of a width and type of construction to conform to that portion of Main street now graded, with grades of approach not exceeding four (4) per cent; shall be protected by a suitable crossing sign and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

It is hereby further ordered that Application 2809 be and the same hereby is denied.

It is hereby further ordered that Application 2830, in so far as it applies to the opening of Acacia street, Indianapolis street and Magnolia avenue, be and the same hereby is dismissed.

It is hereby further ordered that permission be and the same hereby is granted city of Huntington Beach to construct Memphis street at grade over the tracks of Southern Pacific Company at the point and in the manner shown on the map attached to the application, subject to the following conditions and not otherwise:

(1) Said crossing shall be constructed of a width of not less than twenty (20) feet, with grades of approach not exceeding four (4) per cent; shall be protected by a suitable crossing sign and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(2) The entire expense of constructing the crossing, together with the cost of its maintenance thereafter in good and first-class condition, shall be borne by applicant, except for that portion between the rails

and two (2) feet outside thereof, which shall be maintained by Southern Pacific Company.

(3) Before Memphis street is opened as a public highway, Indianapolis street shall be closed and abandoned for public travel.

It is hereby further ordered that Southern Pacific Company shall, six (6) months from the date of this order, install an automatic flagman of a type approved by this commission, at Acacia street.

The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

Decisions Nos. 4352 and 4353, grade crossings; not printed. See end of volume.

DECISION No. 4354.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE CERTAIN SECURITIES OF PACIFIC LIGHT AND POWER CORPORATION AND VENTURA COUNTY POWER COMPANY; TO ACQUIRE THE PROPERTIES AND FRANCHISES OF PACIFIC LIGHT AND POWER CORPORATION AND TO ISSUE STOCK, AND OF PACIFIC LIGHT AND POWER CORPORATION TO SELL ITS PROPERTIES AND FRANCHISES TO SOUTHERN CALIFORNIA EDISON COMPANY.

Application No. 2651.

Decided May 29, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Southern California Edison Company having filed with the Railroad Commission a stipulation satisfactory in form as required by the order heretofore made in this proceeding on May 22, 1917, which stipulation states that neither the company, its successors nor assigns will claim before the Railroad Commission of the state of California or any court or other public body a value for the franchises, or any thereof authorized in this proceeding to be conveyed by Pacific Light and Power Corporation to Southern California Edison Company any sum in excess of the cost of such franchise or franchises to the original grantee or grantees thereof.

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

DECISION No. 4355.

IN THE MATTER OF THE APPLICATION OF SOUTH PACIFIC COAST RAILWAY COMPANY AND SOUTHERN PACIFIC COMPANY FOR AN ORDER APPROVING AGREEMENT ENTERED INTO BY SAID COMPANIES UNDER DATE OF DECEMBER 4, 1913, MODIFYING THE LEASE MADE BY SOUTH PACIFIC COAST RAILWAY COMPANY TO SOUTHERN PACIFIC COMPANY, DATED JULY 1, 1887.

Application No. 1006.

Decided May 29, 1917.

A petition that this commission alter certain conditions of a lease heretofore entered into between Southern Pacific Company and South Pacific Coast Railway Company, which action is strenuously objected to by a majority of bondholders of the latter named company.

If, as suggested, the proposed change is merely for the purpose of expressing the intent of the parties originally executing the lease, the commission is asked to authorize a change in the language employed. The court and not this commission is the appropriate body to interpret the language of this lease.

While at times it is necessary for the commission to determine the effect of written instruments, no such condition exists here; furthermore, if the proposed change is merely to effect the intent of executors as contended, it would amount only to a change in language and not a change in terms of the lease; accordingly the commission's authorization is unnecessary. Application dismissed.

Guy V. Shoup, for Applicants.

Pillsbury, Madison & Sutro and *Felix T. Smith*, for Savings Union Bank and Trust Company, Protestant.

Tobin & Tobin, *W. B. Ryder* and *Alexander McCulloch*, for Theresa Alice Oelrichs, Farmers Loan and Trust Company, Bankers Trust Company of New York, and Union Trust Company of New York, Protestants.

D. C. Murphy, for Mutual Savings Bank, Protestant.

EDGERTON, *Commissioner*.

OPINION.

This is a supplemental application whereby request is renewed that the commission authorize modification of a certain lease.

Heretofore, on the twenty-third day of March, 1914, this commission made an order which provided among other things that applicants should have six months' time within which to obtain the written consent to this proposed change in the terms of lease of the owners of a majority of the

outstanding bonds of the South Pacific Coast Railway Company. In the event such majority consent was obtained the order stated that applicants' request would then be granted.

It was further provided that if applicants failed within said time to obtain said majority consent they might apply to the commission for an order granting the application, notwithstanding the failure to obtain such consent, whereupon the commission would give consideration to such application on its merits.

Applicants have now filed a supplemental application in which its efforts to obtain the consent of the owners of a majority of South Pacific Coast Railway Company's bonds were set out and it was announced that it was impossible to obtain the consent of such majority and the request was renewed for an authorization by this commission for the modification of the lease.

Savings Union Bank and Trust Company, claiming to be the owner of bonds of the face value of \$375,000.00, and Theresa Alice Oelrichs, claiming to be the owner of bonds in the face amount of \$1,802,000.00, filed written protests and appeared by counsel at the hearing to oppose the granting of this application.

On July 1, 1887, there were outstanding South Pacific Coast Railway Company fifty-year 4 per cent gold bonds in the total face amount of \$5,500,000.00, and on that date it leased all of its property to Southern Pacific Company for the term of 55 years from July 1, 1887.

Subsection 5 of article 3 of the lease reads as follows:

"That it (Southern Pacific Company) will, during the continuance of this lease, pay as rent for the said demised premises, including said ferry boats and telegraph lines, an annual sum equivalent to four per cent on the five million five hundred thousand dollars of bonded debt of said party of the first part, secured by a mortgage on the said demised premises and every part thereof; that is to say, the sum of two hundred and twenty thousand dollars per annum, in the gold coin of the United States, of the present standard and fineness, in semiannual installments on the thirty-first day of December, and the thirtieth day of June of each year, to be used by the party of the first part in paying the interest on the said bonds, and that from and after the first day of July, one thousand nine hundred and twelve, the said party of the second part shall further pay as rent for the said demised premises a further sum annually of two hundred and twenty thousand dollars, in the like gold coin in four equal quarterly payments, viz: on the thirtieth day of September, the thirty-first day of December, the thirty-first day of March and the thirtieth day of June, and said payments are to be made to the Farmers' Loan and Trust Company in the city of New York, the trustee named in the mortgage, to secure the said bonds issued by the party of the first part, or to its successors in the trust; which said payments shall be used for and constitute a

sinking fund for the redemption of the said five million five hundred thousand dollars of said bonds issued by the party of the first part, such payments to continue at the times hereinbefore specified, until the payments previously made shall, with interest earned thereon, and the accretions thereto be sufficient to fully pay and redeem said bonds, also that it shall and will, during said period, keep and maintain an office for the transaction of the business of the party of the first part, both in the city of New York and in the said city and county of San Francisco."

Southern Pacific Company took possession of said property immediately and since that time and now operates the same. Southern Pacific Company asks this commission for authority to so change the wording of this section of the lease that Southern Pacific Company will be obligated in terms to pay to South Pacific Coast Railway Company an annual sum equivalent to 4 per cent on the outstanding bonds; the sinking fund payment of \$220,000.00 per year to remain as now stated in this provision of the lease.

The difference in this section as it now stands, and the section if amended as proposed, is that now Southern Pacific Company is required to pay annually to South Pacific Coast Railway Company, in addition to the sinking fund payment, the full sum of \$220,000.00, whereas the amendment would obligate Southern Pacific Company to pay a sum equivalent only to the interest on outstanding bonds and obviously as bonds were retired out of the sinking fund this interest payment would constantly grow less.

Southern Pacific Company claims that the intent of the parties executing this lease was that Southern Pacific Company should be called upon only to pay the amount equivalent to the interest on the outstanding bonds and that the above quoted language of the lease, which in terms provides for the definite sum of \$220,000.00 per year to be paid, was inadvertently used and does not clearly express the intent of the parties.

On the other hand protesting bondholders insist that Southern Pacific Company has in terms agreed to each year pay South Pacific Coast Railway Company the definite sum of \$220,000.00, and that while the purpose for which this money is to be used is stated to be the payment of bond interest and that it is possible and probable that there will not accrue each year this full amount of bond interest, nevertheless, the full sum agreed to be paid by Southern Pacific Company must be paid, and that any overplus not used in any one year should be held as a trust for the payment of bond interest in the event that Southern Pacific Company should fail for any reason to pay one or more annual installments under the lease.

Protestants call our attention to article 6 of the lease, which reads as follows:

"It is distinctly covenanted and agreed between the parties hereto, that this lease is made subject to the terms and lien of the said mortgage or deed of trust, executed by said party of the first part to the said Farmers' Loan and Trust Company as trustee, and that the terms of this lease shall not, prior to the payment of the said bonds, be in any manner changed or altered so as to impair the security of the said mortgage or deed of trust, without the written consent of a majority in amount of the said bondholders."

Applicants admit that after over eighteen months of diligent effort it has been impossible to obtain the consent of the owners of a majority of the outstanding bonds to the proposed change in the language of this lease. Therefore, we are not asked to authorize an agreed upon change in the terms of the lease. In fact, the proposed change is vigorously opposed by the owners of a very considerable number of bonds.

Authorization by this commission as requested, upon the assumption that the owners of the necessary number of bonds would hereafter agree to this proposed change, would be idle because applicants hold out no hope of obtaining such agreement.

On the other hand, if the contention of applicants is sound that the proposed change in the language of this lease represents the true intent of the parties who originally executed it, then we are not asked to authorize a change in the terms of the lease, but we are really asked to authorize a change in the language employed, so as to truly represent the intent of the executing parties.

The court and not this commission is the appropriate tribunal to interpret the language of this lease. While it does at times become necessary for this commission to determine the effect of written instruments in order to carry out its regulatory functions, no such situation exists here.

Furthermore, if the contention of applicants is sustained and the intent of the parties who executed the lease is made clear by a change of language, the authorization of this commission to such change of language would not be necessary as this would not involve any change in the terms of a lease, but would simply be the employment of different language to express these terms.

I recommend that the application be dismissed and submit herewith the following form of order:

ORDER.

Application having been made by South Pacific Coast Railway Company and Southern Pacific Company for an order authorizing the modification of a lease as described in the foregoing opinion and a public hearing having been had and the commission being fully advised in the premises,

It is hereby ordered by the Railroad Commission of the state of California that for the reasons set out in the foregoing opinion the application herein is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

DECISION No. 4356.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE NO. 467 (NEW SERIES) OF THE COUNTY OF LOS ANGELES.

Application No. 2861.

Decided May 29, 1917.

Applicant, operating under a franchise secured from the county of Los Angeles which provided that construction work should be completed within a period of three years, desires to make necessary extensions to its system and secured another franchise, covering which it is now granted a certificate permitting exercise of rights thereunder, provided no value shall ever be claimed therefor in excess of the actual original cost to grantee.

Paul Overton, J. H. Powell, S. W. Guthrie, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Los Angeles Gas and Electric Corporation for a certificate that public convenience and necessity require the exercise of rights and privileges granted to applicant by Ordinance No. 467, new series, of the county of Los Angeles, adopted April 2, 1917, to serve gas in certain unincorporated territory surrounding the city of Los Angeles.

A hearing was held before Examiner Westover at Los Angeles on May 11, 1917.

Applicant has been serving gas in Los Angeles and vicinity for a number of years. The new franchise contained in said Ordinance No. 467, new series, was procured because applicant's previous franchise, contained in Ordinance No. 329, new series, adopted July 28, 1913, required it to complete construction of its system within three years. The three-year period has expired, and as the nature of the business of

the gas utility requires it to be prepared to extend its mains and services from time to time to supply the needs of the public, and as applicant has received requests to extend its distribution lines in practically all of its districts to serve new consumers and it has expressed its determination to do so as soon as possible after the necessary authority is obtained, it has been necessary for applicant to obtain a new franchise and under requirements of section 50b of the Public Utilities Act, to obtain from the Railroad Commission the right to exercise said franchise.

The new franchise covers less territory than that contained in Ordinance No. 329, new series, considerable territory to the east and south being omitted by Ordinance No. 467, new series, because applicant does not intend to serve that territory at the present time.

The new purchase price of the new franchise was \$100.00.

ORDER.

Los Angeles Gas and Electric Corporation having filed its petition herein, asking that the Railroad Commission make its order as specified in the opinion which precedes this order, and a public hearing having been held, and this commission having been fully advised and it appearing that public convenience and necessity will be subserved by the granting of this request,

The Railroad Commission of the state of California hereby declares that public convenience and necessity require the exercise by Los Angeles Gas and Electric Corporation, its successors and assigns, of the rights and privileges conferred by Ordinance No. 467, new series, of the county of Los Angeles, approved April 2, 1917; provided, that Los Angeles Gas and Electric Corporation shall first have filed with the Railroad Commission a stipulation, duly authorized by its board of directors, agreeing for itself, its successors and assigns, that it will never claim before the Railroad Commission or any other public authority, any value of the rights and privileges conferred by said Ordinance No. 467, new series, of the county of Los Angeles, in excess of the amount paid therefor at the time said ordinance was adopted, which amount shall be specified in said stipulation, and shall have received from the Railroad Commission a supplemental order reciting that such stipulation, in form satisfactory to the Railroad Commission, has been filed herein.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

DECISION No. 4357.

IN THE MATTER OF THE APPLICATION OF AMARGOSA VALLEY RAILROAD COMPANY AND AVAWATZ SALT AND GYPSUM COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK OF THE FORMER COMPANY TO THE LATTER COMPANY.

Application No. 2913.

Decided May 29, 1917.

Applicant railroad company, authorized to issue \$184,700.00 par value of its capital stock, such stock to be issued to the mining company at par, proceeds to be used, \$4,000.00 as working capital, the balance for the construction and equipment of its railroad, a distance of 16.21 miles, provided that the mining company file with this commission a stipulation to the effect that none of such stock shall be sold to the public unless such action is hereafter authorized by the commission.

1. A mining company which proposes to construct a railroad, advancing the funds for such construction and taking in return stock of the railroad company, the advances to be obtained through a bond issue by the mining company, need not apply to this commission for the approval of its proposed mortgage, irrespective of the fact that such mortgage will become a lien upon the stock of the railroad company, as this commission has no jurisdiction over mining companies.

Thomas C. Job, for Applicant.

THELEN, Commissioner.

OPINION.

This is an application of Amargosa Valley Railroad Company, recently incorporated, for authority to issue a sufficient amount of capital stock to defray the cost of constructing and equipping a line of railroad 16.21 miles in length, to be located in San Bernardino County. Avawatz Salt and Gypsum Company, whose property will be served by this railroad, proposes to purchase the stock at par.

Avawatz Salt and Gypsum Company, hereinafter referred to as the mining company, was incorporated under the laws of California in June, 1912. Its property, as reported to the commission, consists of 50 claims embracing about 4,781.5 acres located in the northeast edge of the Avawatz Mountains at the southern end of Death Valley. On 30 of the claims the company is now preparing to apply for patents. The balance of the claims are held under lease.

The principal mineral deposits in this region are gypsum, rock salt and celestite. Mr. A. E. Sedgwick, mining engineer of Los Angeles, testified that the deposits of salt and gypsum upon the company's property were practically unlimited. He estimates the rock salt above ground at 30,000,000 tons and the gypsum at 70,000,000 tons. Deposits of celestite likewise occur in large quantities. On lands owned by others than the mining company are deposits of magnesite and other minerals, which in the future may furnish to the railroad company a considerable amount of tonnage.

Amargosa Valley Railroad Company, hereinafter referred to as the railroad company, was incorporated in April, 1917, as a common carrier of freight and passengers. It has an authorized stock issue of \$250,000.00, divided into 25,000 shares of the par value of \$10.00 each. Stock in the amount of 2,000 shares has been subscribed by the following parties:

Avawatz Salt and Gypsum Company-----	1,995 shares
L. M. Farnham-----	1 share
H. Kressmann-----	1 share
B. N. Jefferson-----	1 share
E. E. Sweeney-----	1 share
Thomas C. Job-----	1 share

At the present time the railroad company has no stock, bonds or notes outstanding and no indebtedness other than the sum of \$3,598.45 advanced on open account by the mining company for preliminary surveys and incidental expenses.

It is the purpose of the railroad company, if this application is granted, to construct a standard gauge railroad from the Tonopah and Tidewater Railway, near the station of Dumont, for a distance of approximately 16.21 miles in a general westerly direction to a point known as Salt Basin, located approximately in the center of the properties of the mining company. The territory through which the railroad is to run is in general a desert country without heavy grades. Practically all of the right of way is over unsurveyed government land. While the railroad will cross near Salt Springs, two placer claims, the officials of the company do not anticipate any difficulty in securing the right of way. It is anticipated that there will be no expenses attached to obtaining the right of way other than the expenses of filing applications with the federal government.

The total cost of the railroad is estimated by applicant at \$180,700.00. The estimated cost reported in applicant's Exhibit "5," is segregated as follows:

Grading 45,775.5 cubic yards cut and 10,845.8 cubic yards fill (estimated) -----	\$30,000 00
Pile trestles, 65 bents (estimated)-----	5,000 00
Culverts -----	5,000 00
Pine ties (seconds), 44,000 at 80 cents-----	35,200 00
52-pound rails (frogs, switches, fastenings), 1,600 tons at \$40.00-----	64,000 00
Ballast, 6,500 cubic yards (estimated)-----	8,000 00
Tracklaying and surfacing, labor (estimated)-----	2,500 00
Shop and engine house, galvanized iron shed with pit (estimated)---	1,500 00
Fuel station at mine, elevated tank-----	1,500 00
Locomotives (2) 1 Shay, 1 side-rod-----	18,000 00
Administration, during construction-----	5,000 00
Preliminary and final surveys, engineering cost to May 1-----	3,500 00
Organization, legal, etc.-----	1,500 00
Total -----	\$180,700 00

The estimated cost has been checked by the commission's engineers, who report that while not in sufficient detail to permit of an accurate estimate of the probable construction cost being reached, the figures appear on the whole to be reasonable.

The company proposes to lease its freight cars from the Tonopah and Tidewater Railway Company, and as shown in the preceding statement, purchase a side-rod locomotive for main-line service and one Shay locomotive for yard service.

In addition to being permitted to issue sufficient stock to pay for the construction of the road, the railroad company asks authority to issue stock to cover its operating expenses during the first year of operation. While applicant's engineer estimated these expenses at \$12,000.00 per annum, at the hearing it was stated that they would probably amount to \$30,000.00 during the first year of operation. In view of the uncertainty as to the need of such an appropriation in advance of actual operation, I shall recommend that the issue of stock for payment of operating expenses, other than \$4,000.00 for working capital, be held in abeyance.

It is the purpose of the mining company, if this application is granted, to advance the necessary funds for the construction and equipment of the railroad and to take in exchange therefor, stock of the railroad company at par, in accordance with a contract attached to the application and marked "Exhibit A." While the commission is asked to approve this contract, I am of the opinion that the interest of this commission in this particular matter only goes to the issue of the stock and the expenditures of the proceeds for the purposes specified in the order following and that accordingly it will not be necessary to pass on the contract either favorably or unfavorably.

To construct its plant and to advance the necessary construction funds to the railroad company, the mining company proposes to sell \$350,000.00 face value of its twenty-year 6 per cent first-mortgage bonds. The payment of the bonds is to be secured by a mortgage or deed of trust to be executed to the Security Trust and Savings Bank of Los Angeles. While a copy of the proposed mortgage or deed of trust of the mining company has been filed in this proceeding, this commission has no jurisdiction to authorize its execution, for the reason that the commission has no jurisdiction over the mining company. Attention, however, may be called to the fact that the lien of the proposed mortgage or deed of trust covers all of the property of the mining company, including the stock of the railroad company. Under the terms of the trust instrument the mining company, unless in default, may vote the pledged stock. The trustee has no authority to certify and deliver any bonds until such time as the Corporation Commissioner of the state of California has authorized the issue of the bonds. Any dividends paid

by the railroad company other than those paid out of net earnings or other current net income, shall be paid to the trustee for sinking fund purposes. In case of the sale of any of the mortgaged property, in accordance with the terms of the mortgage, the proceeds obtained from such sale must be used to purchase other property of equal value, or used to redeem bonds.

While it occurs to me that the method of financing the construction of the railway may not be the most direct, yet under the circumstances it appears to be reasonable. I am of the opinion, however, that the stock of the Amargosa Valley Railroad Company to be issued to the mining company should not be sold to the general public except with the further approval of the commission.

I recommend that the application be granted, subject to the following form of order:

ORDER.

Amargosa Valley Railroad Company having applied to this commission for authority to issue capital stock as hereinbefore set forth; and a public hearing having been held, and it appearing to this commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Amargosa Valley Railroad Company be and it is hereby authorized to issue \$184,700.00 par value of its common capital stock.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The stock hereby authorized to be issued shall be sold to Avawatz Salt and Gypsum Company so as to net applicant not less than its par value of \$10.00 per share.

2. The stock hereby authorized to be issued shall be issued in and for the following purposes and not otherwise:

(a) To pay for construction and equipment of 16.21 miles of railroad in accordance with a preliminary estimate of cost reported in applicant's Exhibit "5"-----	\$180,700 00
(b) For working capital, including shares of stock necessary to qualify directors -----	4,000 00
Total par value-----	\$184,700 00

3. Before issuing any of the stock hereby authorized to be issued other than shares necessary to qualify directors, Amargosa Valley Railroad Company and Avawatz Salt and Gypsum Company, shall file with the Railroad Commission, satisfactory in form, a stipulation duly authorized by their respective boards of directors, wherein the companies agree

that they will not offer for sale to the public any of the stock hereby authorized to be issued, except as permitted by the commission evidenced by supplemental order.

4. Before issuing any of the stock hereby authorized to be issued, other than shares necessary to qualify directors, Amargosa Valley Railroad Company shall file with the commission for approval detailed estimates of the cost of its proposed line of railway.

5. Amargosa Valley Railroad Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. This authorization shall apply only to stock issued on or before May 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

DECISION No. 4358.

IN THE MATTER OF THE APPLICATION OF NOVATO UTILITIES COMPANY FOR AN ORDER AUTHORIZING ISSUE OF STOCKS.

Application No. 2662.

IN THE MATTER OF THE APPLICATION OF J. W. CAIN AND ALBERT CAIN, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF NOVATO LIGHT AND POWER COMPANY, FOR AN ORDER AUTHORIZING THE SALE AND ASSIGNMENT BY THEM OF THE WHOLE OF THEIR PROPERTY NECESSARY AND USEFUL IN THE PERFORMANCE OF THEIR DUTIES TO THE PUBLIC, AND THE FRANCHISES AND PERMITS UNDER WHICH THEY OPERATE TO THE NOVATO UTILITIES COMPANY.

Application No. 2663.

Decided May 29, 1917.

Findings showing a reproduction cost for utility properties of \$21,618.84 and a reproduction cost less depreciation of \$17,075.45 are sufficient to warrant an order permitting an issuance of \$20,000.00 par value of stock to be issued in exchange for such properties; provided, that such order shall not be construed as binding upon the commission as to the value of such properties for rate fixing or other purposes.

J. W. and Albert Cain authorized to transfer all of their electric, telephone and water utility properties to the Novato Light and Power Company and the latter company is authorized to issue and deliver \$20,000.00 par value of its capital stock in exchange therefor.

Thomas P. Boyd, for Applicant.

BY THE COMMISSION.

OPINION.

In Application No. 2663, J. W. Cain and Albert Cain, copartners doing business under the firm name and style of Novato Light and Power Company, ask for authority to sell or transfer all of their electric, telephone and water utility properties to Novato Utilities Company. In Application No. 2662 Novato Utilities Company asks for authority to issue \$25,000.00 par value of its capital stock in payment for said property.

At the public hearing which was held before Examiner Encell at Novato on January 19, 1917, the applications were consolidated with the consent of the applicants.

It appears that the Novato Light and Power Company, hereinafter designated and referred to as the "old company," engaged in furnishing electric light and power service, telephone service, and fresh water for domestic purposes to the inhabitants of the town of Novato and surrounding territory in Marin County, is the property of J. W. Cain and Albert Cain, the applicants herein, and that there is no mortgage on any of said property, nor any notes or other indebtedness outstanding against it.

It further appears that Novato Utilities Company, hereinafter designated as the "new company," is a corporation which has been organized primarily for the purpose of taking over all of the property of the old company used in its electric light and power, telephone and water business. The articles of incorporation of the new company provide for a total authorized capital stock of 5,000 shares of the par value of \$10.00 per share, 143 of which have been issued for the purpose of incorporation; and it is now proposed to issue 2,500 of the remaining shares to the owners of the old company in payment for said electric, telephone and water properties, which are more particularly described in Exhibit A attached hereto and made a part of this opinion and order. A copy of the balance sheet of the old company as contained in its annual reports to this commission for the year ending December 31, 1916, is shown in Table I following:

TABLE I.
Balance Sheet December 31, 1916.
Assets.

Electric.	
Fixed capital	\$16,761 47
Cash	60 39
Accounts receivable	473 87
Material and supplies	89 41
Total electric assets	\$17,385 14
Telephone.	
Fixed capital	\$3,751 26
Cash and deposits	43 22
Accounts receivable	257 46
Material and supplies	110 50
Total telephone assets	4,162 44
*Total assets electric and telephone	\$21,547 58

Liabilities.

Electric.	
Capital investment	\$17,049 40
Accounts payable	335 74
Total electric liabilities	\$17,385 14
Telephone.	
Capital investment	\$3,625 57
Bills payable	536 87
Total telephone liabilities	4,162 44
*Total liabilities electric and telephone	\$21,547 58

The electric property which the old company proposes to sell to the new company was appraised for rate fixing purposes by Mr. J. F. Pollard, one of this commission's assistant electrical engineers, in connection with the matter of Case No. 940, *Samuels et al. vs. Novato Light and Power Company*, the evidence in which case is, by stipulation, to be considered as evidence herein.

It was also stipulated that a detailed appraisalment of the telephone properties should be prepared by the commission's telephone engineering department, and that, subject to cross-examination by the applicants, the same should be considered in evidence. Such appraisalment has been prepared by Mr. T. R. Gray, assistant telephone engineer of the Railroad Commission, and having been submitted to and accepted by counsel for the applicants will be considered in evidence herein.

The water properties have been listed and appraised by the applicants as shown in Exhibit "A." attached to and made a part of Application No. 2663. The testimony of the applicants shows that no records of

*No report has been filed in connection with the operations of the water department, which hitherto has been more or less of a mutual accommodation nature.

actual expenditures in this department are available and that this appraisal is based purely on estimated values. The water properties appraisal included in Table II following will be corrected in accordance with this commission's experience in appraising similar properties constructed about the same time.

Table II includes a summary of each of said appraisements, together with the estimated reproduction cost on the historical basis less depreciation, and the valuation claimed by the applicants as shown in the applications herein.

TABLE II.

Valuation of Utility Properties Owned and Operated by J. W. Cain and Albert Cain.

	Value as estimated by applicants	Estimated historical reproduction cost— commission's engineers	Estimated historical reproduction cost less accrued depreciation
Electric.			
Real estate	\$700 00	\$400 00	\$400 00
Dwelling house and telephone office.....	1,900 00	1,900 00	1,520 00
Physical electric distribution lines and equipment	14,000 00	13,846 00	10,719 83
Good will of the business of selling elec- tricity	3,500 00		
Organization, franchises and other intan- gible capital		392 19	383 79
Telephone.			
Physical telephone lines and equipment...	3,500 00	3,922 86	3,168 69
Good will of telephone business.....	1,500 00		
Organization and other intangible capital		350 00	350 00
Water.			
Physical water distribution system and equipment	1,025 25	897 79	533 14
Grand totals	\$25,925 25	\$21,618 84	\$17,075 45

Table III shows a statement of the earnings of the telephone and electric properties during the year 1916, compiled from the annual reports of this utility on file with the commission.

TABLE III.
Earnings 1916.

Gross operating revenue, electric.....	\$3,780 53	
Miscellaneous other revenues, electric.....	57 30	
Gross operating revenue, telephone.....	2,002 25	
Total gross revenue		\$5,840 08
Operating expenses, electric.....	\$2,408 27	
Operating expenses, telephone.....	1,387 57	
Taxes and uncollectible bills, telephone	152 54	
Rents, etc., telephone.....	76 10	
		4,024 48
Net revenue		\$1,815 00

Inasmuch as the commission's engineers have estimated the historical reproduction cost of all properties which are to be transferred at \$21,618.84, and said estimated reproduction cost less accrued depreciation at \$17,075.45, without determining the present value of said properties, we are of the opinion that Novato Utilities Company should be permitted to issue \$20,000.00 par value of its capital stock in exchange for said properties, as described in the aforesaid Exhibit "A," attached hereto. This issue of \$20,000.00 par value includes the sum of \$1,430.00 representing stock subscribed and issued for organization purposes.

It should be clearly understood that authorization of this issue must not be interpreted to mean that the commission finds such capitalization to be the real value of the property in question upon which a fair return may be expected.

ORDER.

J. W. Cain and Albert Cain, copartners having applied to this commission for an order authorizing the sale of certain properties to Novato Utilities Company, and Novato Utilities Company having applied to this commission for an order authorizing the issue of its common stock for the purpose of purchasing said properties, and said applications having been consolidated with the consent of the applicants, and the commission finding as a fact that Novato Utilities Company should be permitted to issue 2,000 shares of said stock of the par value of \$10.00 per share in consideration of the transfer of said properties, and it appearing that the purposes for which said stock is to be issued by Novato Utilities Company are not in whole or in part reasonably chargeable to operating expenses or to income, and that for the reasons set forth in the foregoing opinion the application for authority to transfer said properties and to issue said stock should be granted, subject to the conditions hereinafter set forth.

It is hereby ordered that J. W. Cain and Albert Cain, copartners, be and the same are hereby authorized to sell, transfer and convey to Novato Utilities Company all the property described in Exhibit "A" attached hereto, said Exhibit "A" being incorporated into and made a part of this opinion and order, and to receive in payment therefor 2,000 shares of the capital stock of said corporation.

It is hereby further ordered that Novato Utilities Company be and the same is hereby authorized to issue to J. W. Cain and Albert Cain 2,000 shares of its capital stock of the par value of \$10.00 per share; said 2,000 shares shall include the 143 shares of stock subscribed and issued in connection with the organization of Novato Utilities Company.

The authority herein granted to applicants is granted upon the following conditions and not otherwise, to wit:

1. The stock herein authorized to be issued by Novato Utilities Company shall be issued in payment of or exchange for the property of J. W. Cain and Albert Cain, copartners, authorized in this order to be transferred.

2. The purchase price for the property herein authorized to be transferred and the action of this commission in authorizing the transfer, shall not be binding upon this commission or any other rate fixing body, as affecting the valuation of said property for rate fixing purposes, or otherwise.

3. The authority herein granted to transfer said property and to issue said stock is conditioned upon said transfer being made and said stock being issued on or before October 31, 1917.

4. Novato Utilities Company shall keep a true and accurate record of the issue of said stock, and shall, on or before the twenty-fifth day of the month following the said issue of said stock, make a verified report to this commission, setting forth the disposition of said stock, the conditions of such disposition, and for what properties the same was issued.

Dated at San Francisco, California, this twenty-ninth day of May, 1917.

EXHIBIT "A."

Real Property.

Beginning at the point of intersection of the Southerly line of Sweetser Avenue with the Easterly line of Machin Avenue as said Avenues are laid down, designated and delineated on a certain map entitled and known as Map of the Town of Novato, Marin County, California, filed March 29th 1890 in the office of the County Recorder of said Marin County, in Book One of Maps at page 52; thence Easterly along the Southerly line of Sweetser Avenue 150 feet; thence at right angles southerly and parallel with Machin Avenue 70 feet; thence at right angles Westerly and parallel with Sweetser Avenue 150 feet to the Easterly line of Machin Avenue and thence Northerly along the Easterly line of Machin Avenue 70 feet to the place of beginning, and being the Northerly one half of lots 49, 50, 51, 52, 53 and 54 in Block J as said lots and blocks are laid down and delineated on said map.

Improvements on the property are as follows: Dwelling house also used as a telephone office.

Personal Property.

All pole lines, fixtures, overhead system, sub-station building and equipment, line transformer, lines, wires, office equipment, shop tools and equipment, stable and garage equipment, materials and supplies, all as set forth in the Inventory and Appraisal and Report of Operating Revenues, Operating Expenses and Statistics of the Novato Light & Power property by James F. Pollard, Jr., Assistant Engineer, filed with the Board of Railroad Commissioners in case No. 940, July 10th 1916, to which reference is hereby made for a detailed description of said property, the same as if it were fully incorporated herein.

Good will of the business of selling electricity, etc.

Also seventy (70) telephone instruments and equipment, switch-board for a total capacity of sixty (60) lines, manufactured by Western Electric Company, twenty-four lines of telephone wires and the wires on said lines, of No. 14 galvanized iron,

a total of fifty-seven (57) miles in length, and thirteen (13) miles of telephone poles.

Good will of the telephone business.

The following described personal property is used in connection with the water system proposed to be sold by Cain Brothers to the Novato Utilities Company:

One three-horse-power Allis Chalmers electric motor.

One 4 x 5 double acting Deming pump.

Counter shaft and belts.

Two thousand feet of 1½ inch pipe.

Two hundred and sixty feet of ¾ inch pipe.

One wooden stave tank of three thousand capacity.

Twenty-six service connections.

Tools and stock.

DECISION No. 4359.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY AND WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY TO SELL AND CONVEY TO WESTERN STATES GAS AND ELECTRIC COMPANY A CERTAIN TRANSMISSION LINE KNOWN AS ITS POINT ORIENT LINE, IN THE COUNTY OF CONTRA COSTA, IN ACCORDANCE WITH A CERTAIN AGREEMENT, A COPY OF WHICH IS ANNEXED HERETO.

Application No. 2897.

Decided May 31, 1917.

Pacific Company authorized to transfer to the Western States Company for the sum of \$1,200.00 a certain electric transmission line in the city of Richmond, approximately three-quarters of a mile in length.

C. P. Cutten, for Pacific Gas and Electric Company.

Chickering & Gregory, by *Allen L. Chickering*, for Western States Gas and Electric Company.

BY THE COMMISSION.

OPINION.

In this application Pacific Gas and Electric Company applies for authority to sell, convey and assign to Western States Gas and Electric Company, and Western States Gas and Electric Company applies for authority to purchase and acquire from the Pacific Gas and Electric Company a certain eleven-thousand (11,000) volt transmission line in the city of Richmond, Contra Costa County, California, for the sum of twelve hundred (1,200) dollars, in accordance with a certain agreement entered into between the respective parties on January 2, 1917.

Application was filed with the commission on May 7, 1917, and hearing was held before Examiner Encell at San Francisco on May 17, 1917.

The property to be transferred consists of an eleven-thousand (11,000) volt transmission line, forming a part of what is known as the Point Orient line, approximately three-quarters of a mile in length, extending from the corner of First street and Barrett avenue, Richmond, Contra Costa County, California, along Barrett avenue and the Southern Pacific Railroad right of way to pole designated as No. 1/9. The line was originally constructed by the Pacific Gas and Electric Company to serve the Standard Oil Company and the Western States Gas and Electric Company extended the line further to supply certain power consumers. At the present time the service to the Standard Oil Company has been discontinued and the line has been connected to the Western States Gas and Electric Company's substation and is used solely by it in supplying its consumers. The line, therefore, is of use only to the Western States Company.

Pacific Gas and Electric Company's engineers estimated the fair cost of the line under normal prices to be \$1,448.00 and both parties consider the purchase price of \$1,200.00 to be a fair and reasonable one. Considering the facts as above outlined, it appears that the transfer should be authorized.

ORDER.

Pacific Gas and Electric Company and Western States Gas and Electric Company having applied to this commission for authority as set forth in the following order, and a public hearing having been held and the matter being submitted and now ready for decision, and it appearing that the authority requested should be granted,

It is hereby ordered:

1. Pacific Gas and Electric Company is hereby authorized to sell, convey and assign to Western States Gas and Electric Company, and Western States Gas and Electric Company is hereby authorized to purchase and acquire for the sum of \$1,200.00 that certain transmission line known as the "Point Orient line" and more particularly described in that agreement under date of January 2, 1917, between the respective parties to this application, a copy of which agreement was filed with the application.

The order herein made is granted upon the following conditions and not otherwise, to wit:

The purchase price of the property herein authorized to be transferred shall not hereafter be binding upon this commission or any other public body as representing the value of said property for rate fixing or other purposes.

Dated at San Francisco, California, this thirty-first day of May, 1917.

DECISION No. 4360.

J. H. GRANDE

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1072.

*Decided June 1, 1917.*LOVELAND, *Commissioner.***ORDER OF DISMISSAL.**

This case having come on regularly for hearing and the commission being of the opinion that it does not have jurisdiction to make an award of damages for an alleged improper refusal on the part of the railroad company to divert a certain car of fruit.

It is hereby ordered that the complaint in this proceeding be and the same is hereby dismissed.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of June, 1917.

Decision No. 4361, grade crossing; not printed. See end of volume.

DECISION No. 4362.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY AND ANNA B. SMITH, FOR AN ORDER AUTHORIZING SAID COAST VALLEYS GAS AND ELECTRIC COMPANY TO SELL CERTAIN REAL PROPERTY.

Application No. 2967.

Decided June 1, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Coast Valleys Gas and Electric Company having applied to this commission for authority to sell to Anna B. Smith, who joins in the application, certain real property together with the improvements thereon situated in the city of Pacific Grove, county of Monterey, state of California, and more particularly described as follows, to wit:

Lot two (2) and the northerly twenty (20) feet of lot four (4) of block forty-three (43) in the Second Addition Pacific Grove Retreat Grounds, as the said lots and block are designated on a map prepared by L. D. Norton in October, 1883, and filed in the office of the county recorder of the said county of Monterey.

21—33662

And it appearing that said property is neither necessary nor useful in the performance of the public utility obligations of Coast Valleys Gas and Electric Company, and that accordingly the consent of the Railroad Commission is not necessary under section 51 (a) of the Public Utilities Act to the transfer of said property,

It is hereby ordered that the application in this proceeding be and the same hereby is dismissed.

Dated at San Francisco, California, this first day of June, 1917.

DECISION No. 4363.

IN THE MATTER OF THE APPLICATION OF BYRON-BETHANY IRRIGATION COMPANY FOR AN ORDER DIRECTING THE ISSUANCE TO IT OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2886.

Decided June 1, 1917.

Applicant granted a certificate declaring that public convenience and necessity require the exercise of rights obtained under a franchise secured from the county of Contra Costa permitting the construction and operation of an irrigation system in said county, also a certificate preliminary to the securing of franchises declaring that public convenience requires the exercise of rights thereunder when secured, provided a stipulation be filed to the effect that no value shall be claimed for any franchise in excess of the actual original cost thereof.

Cary Howard, for Applicant.

BY THE COMMISSION.

OPINION.

Byron-Bethany Irrigation Company applies for a certificate that public convenience and necessity require the operation by it, as a public utility, of certain works for the furnishing of water for irrigation to certain described lands lying in Contra Costa, Alameda and San Joaquin counties.

A public hearing in this matter was held by Examiner Westover at San Francisco on May 26, 1917.

Byron-Bethany Irrigation Company was organized about February 25, 1914, as a mutual water corporation for the purpose of furnishing water to its stockholders who are owners of lands near Byron, Bethany and Tracy, for the irrigation of their lands, most of which are farmed by them and which they wish to prepare for more intensive farming operations. Applicant plans to serve about 14,000 acres, and ultimately about 20,000 acres. The company immediately began the construction of its system and has heretofore excavated about 21 miles of canals and ditches, has purchased and installed machinery, pumps and appliances and has constructed and is ready to operate its four pumping

plants, but has not yet delivered any water. Its general plan is to take water from Old River through Italian Slough and lift it about 45 feet into its main canals and thereafter by successive lifts into various portions of its system, the highest elevations being about 145 feet. It has not yet constructed its intake at Italian Slough and Old River, but this can be done quickly and at small expense.

About February 16, 1917, it filed amended articles of incorporation authorizing it to sell and dispose of water generally. It now applies for authority as a public utility to furnish water to the public within the area shown on map attached to the application as an exhibit, except as to a portion thereof containing about 4,000 acres in the vicinity of Tracy which it now anticipates will be supplied by Tracy Irrigation District now being formed. The territory applicant wishes to serve is not included in any other irrigation project.

Applicant has an authorized capital stock of \$100,000.00 divided into 10,000 shares of the par value of \$10.00 each. Prior to the amendment of its articles it issued 6,588 shares of its capital stock, practically all to farmers in its territory, payable in installments, and collected therefor \$54,510.30. Nearly all of this stock was sold at its par value of \$10.00 per share, but some was sold at \$12.50 per share. The \$54,510.30 collected was used in the construction of its works and plants. It has borrowed the sum of \$32,200.00, and owes about \$2,290.45 for current bills. It thinks it may become necessary to raise about \$20,000.00 additional for its purposes. Subsequent application will probably be made to the commission concerning its further financing.

Applicant has procured necessary authority from the board of supervisors to cross public roads and highways in Contra Costa County. It has applied for similar authority in Alameda County and has received assurance that it will be granted upon filing bond for \$500.00, which applicant will do. One of the ten necessary crossings in that county has been constructed. It has been assured by the authorities of San Joaquin County that authority for the four needed crossings in that county will be granted upon formal application which, however, has not been filed.

About half of the system so far completed lies in Contra Costa County and about half in Alameda County, though some of it lies in San Joaquin County.

Applicant will be ready to serve some 2,000 acres without crossing roads where authority is lacking, as soon as it constructs its head gates and a short lateral.

It developed at the hearing that some owners of lands lying on both sides of Italian Slough are claiming exclusive rights to the water in the slough and are demanding compensation for the right to take water therefrom, as well as for a right of way across a small part of their

lands. Indeed, this seems to have been the cause for amending applicant's articles of incorporation in the belief that it could then condemn the rights it desires in the land and water referred to. However, a serious effort is being made to so adjust the differences for the current season as to enable applicant to serve water through at least part of its system at once.

At the hearing applicant was given leave to amend its application to include request for preliminary certificate as to those portions of its system for which it has not yet procured needed franchises to cross public roads and property.

The commission earnestly desires to enable applicant to assist in increasing the production of foods during this time of national emergency and will therefore go as far as it properly may in granting the authority sought.

ORDER.

Byron-Bethany Irrigation Company having applied for a certificate of public convenience and necessity, a public hearing having been held and it appearing that applicant should be promptly enabled to assist in increasing the production of food during this period of national emergency,

The Railroad Commission of California does hereby certify that public convenience and necessity require that Byron-Bethany Irrigation Company, its successors and assigns, supply water for irrigation through that portion of its system in Contra Costa County and also in other portions of its system where it can serve without crossing public roads or property for which it has not yet received authority.

It is hereby ordered that the Railroad Commission of California will hereafter, upon application, after Byron-Bethany Irrigation Company has obtained proper authority to cross roads, highways and public property in Alameda and San Joaquin counties, where necessary for the purposes of its system issue certificate upon such terms and conditions as it may designate that public convenience and necessity require the service by said Byron-Bethany Irrigation Company of irrigation water through its canals and system located in said counties; provided, said Byron-Bethany Irrigation Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors agreeing for itself, its successors and assigns that it or they will never claim before the Railroad Commission or any other public authority any value for said rights, privileges or authority to cross said roads, highways or public property, in excess of the amount paid therefor at the time said authority was procured, which amount shall be specified in said stipulation, and provided said Byron-Bethany Irrigation Company shall have received from the Railroad Commission a supplemental

order reciting that such stipulation in form satisfactory to the Railroad Commission has been filed herein.

Dated at San Francisco, California, this first day of June, 1917.

Decisions Nos. 4364, 4365 and 4366, grade crossings: not printed. See end of volume.

DECISION No. 4367.

VALLEY NATURAL GAS COMPANY

vs.

MIDWAY GAS COMPANY.

Case No. 1009.

Decided June 2, 1917.

Complaint petitioning the commission to compel defendant company to withdraw service of natural gas to a consumer, whom it is contended, is located in territory served by complainant.

1. The fact that a utility, serving a prescribed territory, is unable to render efficient service for a period of time, does not warrant another utility in entering its territory for competitive purposes without first securing proper authorization from this commission.
2. A utility which the law requires shall secure a certificate from this commission before making an extension to its "line, plant or system" can not dodge such issue by rendering service through an extension constructed by a consumer. The word "system" includes all facilities through which service is rendered, whether owned by the company or its consumers.
3. A utility has no legal right to deliver the commodity which it furnishes, to an individual for resale, when neither has secured a certificate from the commission authorizing such delivery and sale, irrespective of the fact that the service given is an exchange service, to be paid for in kind at a later date.

Defendant required to discontinue service to consumers in the Midway oil fields, particularly E. L. Doheny and American Oil Fields Company, on or before June 15, 1917.

Joseph Haber, Jr., for Complainant.

O'Melveny, Stevens & Millikin, by *Sayre Macneil*, for Defendant.

DEVLIN, *Commissioner*.

OPINION.

The issue raised in this proceeding, filed with the Railroad Commission October 9, 1916, which was initiated by the complaint of Valley Natural Gas Company against Midway Gas Company, brings into question the rights of Midway Gas Company to distribute natural gas in Kern County, particularly that portion of the county known as the Midway oil fields.

The complaint alleges in effect that Valley Natural Gas Company and its predecessor, California Natural Gas Company, is now and has been since prior to the effective date of the Public Utilities Act, engaged in transmitting, distributing and selling natural gas in that portion of Kern County known as the Midway oil fields; that defendant, Midway

Gas Company, is a corporation engaged in the business of selling natural gas in the town of Glendale, Los Angeles County, and other places south thereof, and except as to the instance which is made the basis of the complaint, said Midway Gas Company is not engaged in the business of selling gas in Kern County; that the distribution mains of complainant are within approximately one mile of the properties of American Oil Fields Company in section 36, township 30 south, range 22 east; that complainant has offered to extend its distribution pipe lines to the said property of American Oil Fields Company and to supply the oil refinery of that company with natural gas at the established rates of complainant applicable to gas supplied by complainant in said Midway oil fields; that complainant is informed and believes that within one month past defendant has commenced supplying gas to said American Oil Fields Company at said refinery and that defendant is now supplying and threatens to continue to supply natural gas to said American Oil Fields Company; that defendant has never applied for nor obtained from the commission a certificate of public convenience and necessity to supply or serve natural gas in the Midway oil fields or in any territory supplied with gas by complainant and that defendant has never established nor has it filed with the commission a schedule of rates for the sale of gas in said territory.

The complaint further alleges that defendant in engaging in the business of selling gas in the Midway oil fields, is proceeding in violation of the law, and that public convenience and necessity do not require that defendant supply gas to said American Oil Fields Company or at all in the Midway oil fields.

Complainant asks that the commission restrain Midway Gas Company from supplying gas to the said American Oil Fields Company or to any person or place in the Midway oil fields.

The answer of defendant denies all the material allegations of the complaint and specifically denies that Midway Gas Company has commenced to supply or has supplied at all, or that it is now serving or threatens to continue to supply gas to American Oil Fields Company.

The facts in the case, as disclosed from the evidence, appear to be as follows:

California Natural Gas Company, the predecessor of Valley Natural Gas Company, complainant herein, was organized in 1910 and commenced supplying natural gas in what is known as the Midway oil fields. This was shortly after it was demonstrated that natural gas existed in commercial quantities in Kern County. Theretofore, natural gas had been viewed by the operators of oil properties merely in the light of an additional obstacle in connection with the development of oil wells in this district.

The transmission mains of this company were subsequently extended to Bakersfield where gas was wholesaled to the local distributing company, and later further extended into the Kern River oil fields. Gas was wholesaled to the companies supplying Taft, Maricopa and Fellows.

In May, 1916, the sale of the property of California Natural Gas Company to Valley Natural Gas Company was authorized.

In 1911 the Midway Gas Company was incorporated for the purpose of constructing a transmission main from Midway field to the city of Los Angeles, which was completed and put in operation in 1913.

On April 25, 1913, this commission issued an order declaring that public convenience and necessity would require Midway Gas Company "to construct a pipe line from the Midway gas fields in Kern County to a point near the city of Los Angeles," and granted permission "to exercise franchises heretofore granted to it by the counties of Kern and Los Angeles. * * *"

The franchise for Kern County authorizes as follows:

"To lay and construct and for a period of forty years maintain and operate a pipe line system to be composed of not more than three separate lines of pipe for the purpose of carrying therein oil, natural gas or artificial gas along the route and under and along those certain portions of roads and highways within the county of Kern described as follows:" [Here is inserted description of route of said transmission line.]

This line has been operated continuously since its completion, supplying gas to the metropolitan district surrounding the city of Los Angeles.

In 1916 Midway Gas Company executed a contract with General Pipe Line Company, whereby it agreed to supply the latter with natural gas for its transmission line for use in the pipe line company's oil pumping stations. The oil pipe line follows the same general route as that of the gas transmission mains. Two of these stations are located in the Midway oil fields.

California Natural Gas Company wrote the commission in connection with this service stating that while they believed it constituted an invasion of territory theretofore exclusively supplied by them, they would not oppose it owing to the peculiar conditions under which service was rendered, providing such failure to complain should not be construed as acquiescence in any further service by Midway Gas Company in the Midway fields.

In August, 1916, the construction of a pipe line was commenced from the main gathering line of Midway Gas Company in section 20, township 31 south, range 23 east, to the refinery of American Oil Fields Company located on section 36, township 31 south, range 22 east, in the Midway oil fields, for the purpose of supplying gas to the latter.

In order to restrain Midway Gas Company from furnishing gas to American Oil Fields Company, the complaint herein was filed.

It appears that in August, 1916, Midway Gas Company consummated an agreement with E. L. Doheny in accordance with which it would supply gas to American Oil Fields Company sufficient for the latter's requirements, such service, however, to be secondary to that of Midway Gas Company's other consumers and subject to discontinuance, if necessary. It was agreed further that such delivery of gas should terminate December 31, 1916, and as consideration therefor Doheny should later return to Midway Gas Company, as required, an equal amount of gas from his wells on section 3, township 31 south, range 22 east.

This proposition was valuable to Midway Gas Company because its normal requirements for the year 1916 were estimated to be less than the combined contractual minima of its several purchasing agreements, hence it could dispose of considerable gas without additional cost. This arrangement from the Midway company's standpoint provided a means whereby, without cost to it, a large volume of gas could in effect be stored for future use as it might require. The advantage of this contract to Mr. Doheny was that it afforded a medium whereby, through this interchange of gas, gas might in effect be transmitted several miles, without cost to him, from his wells to the refinery of American Oil Fields Company, in which he was either interested or under obligation to supply with gas.

Defendant pointed out the saving which would result to it from this arrangement in attempting to justify its action. While such contention might properly deserve consideration in an application for a certificate to supply gas in this territory it is not relevant to the issues of this proceeding—the legal right of defendant to supply gas in the manner heretofore described without securing such certificate of public convenience and necessity.

It appears further that at the time this contract was executed, complainant, Valley Natural Gas Company, although willing to supply this business under its regular rates, was unable to do so owing to unexpected reduction in pressure of the wells from which it was drawing, and a largely increased demand on its system due to drilling activity. This shortage of gas available to complainant has existed continuously in varying amounts since prior to August, 1916, and it was the opinion of Mr. J. F. McMahon, general manager of Valley Natural Gas Company, that it would continue until the completion of the Standard Oil Company's compressor plant, some time in January, 1917.

Counsel for complainant indicated willingness that this service might continue without further objection providing it should be definitely and finally terminated December 31, 1916. Defendant would not agree to so

stipulate, desiring instead to retain the option of continuing the service beyond this date providing it had the legal right to do so. However, Mr. A. B. Macbeth, general manager of Midway Gas Company, stated that it was defendant's intention to discontinue this service on December 31, 1916.

Defendant contended that it has a legal right to supply this service, basing its argument on the following grounds: First, that the supply of gas to American Oil Fields Company under the conditions heretofore described did not constitute a sale of gas by it but merely represented an interchange of gas between two producers. Second, that defendant has received a franchise from the supervisors of Kern County to construct and operate a system of gas mains; that pursuant to the provisions of the Public Utilities Act it acquired a certificate of public convenience and necessity to exercise rights granted by said franchise; that a further certificate would be required, according to section 50 of the Public Utilities Act, only if it should make an extension of its "line, plant or system," and that supplying a consumer who takes the gas directly from its mains would not constitute such extension of its system. Third, that at the time this service was commenced and since then continuously and until the hearing of this matter, complainant was without a sufficient supply of gas for its other consumers, and as a result was unable to supply American Oil Fields Company.

I am of the opinion that the position taken by defendant is legally untenable for the following reasons:

Discussing the first point: It was established by the evidence in this case that defendant has had no dealings directly in this matter with the ultimate consumer, American Oil Fields Company; that its only compensation for gas supplied American Oil Fields Company is an equal amount of gas to be delivered in the future by E. L. Doheny, and that E. L. Doheny is selling this gas to American Oil Fields Company. From the foregoing it appears that E. L. Doheny is selling gas in Midway oil fields without having obtained a certificate of public convenience and necessity; that defendant is supplying E. L. Doheny with gas for resale, and that neither Doheny nor defendant has a legal right to furnish gas under these conditions. The fact that the consideration for the supply of gas by defendant to Doheny is not money, is not controlling. The effect is the same on both defendant and complainant as though money were actually paid defendant for this gas. Complainant is deprived of this business and defendant eventually is paid in money for an equal amount of gas.

Considering defendant's second point: Neither defendant's franchise in Kern County nor this commission's decision granting it a certificate of convenience and necessity authorized the defendant to sell or distribute gas in Kern County, but merely to transmit gas from the fields

for delivery to Los Angeles, consequently defendant would be required to obtain another certificate before it could so sell or distribute. I am convinced that defendant's interpretation of section 50 of the Public Utilities Act, by which it assumes that a utility can take on consumers even though they are located within territory exclusively supplied by another utility, providing that in so doing it does not extend its physical plant or system, is not proper. The intention of this provision of the act is clear—to prevent unregulated extension into territory already served. When defendant was granted the certificate of public convenience and necessity heretofore mentioned, it stated, in compliance with the commission's requirements, that it would come in competition with no one in the territory for which a certificate was asked. At this time California Natural Gas Company, the predecessor of complainant, was supplying gas in the Midway fields. Obviously, therefore, Midway Gas Company could not at that time have contemplated service in the Midway fields. The mere fact that the consumers supply the funds necessary to construct laterals into new territory certainly could not operate to relieve the supplying utility from the obligation of obtaining a certificate of convenience and necessity. I believe that the word "system" as used in section 50 of the Public Utilities Act has a broader meaning, as used therein, than the construction placed upon it by the defendant. In my opinion it includes the entire service of the utility and all the physical facilities which form the medium for this service, irrespective of the condition that ownership of a portion of the plant may be vested in the consumer. If defendant's position in this matter were correct a utility could evade regulation and by the mere juggling of titles accomplish indirectly that which is not legally permissible by direct means.

Inadequacy of service on the part of the utility supplying a given field, whether it be temporary or continuing, certainly does not justify another utility in entering that territory without authority from this commission. Such a condition would be entirely relevant, however, in an application to enter this territory.

I am of the opinion that defendant has not the right to supply gas to American Oil Fields Company in the Midway fields.

I recommend the following order:

ORDER.

Valley Natural Gas Company having heretofore filed its complaint herein alleging that Midway Gas Company had, prior thereto, commenced supplying gas to American Oil Fields Company in territory served by complainant prior to the effective date of the Public Utilities Act, and alleging that defendant, Midway Gas Company, had not previously secured a certificate of public convenience and necessity authorizing it to serve gas in said territory, and defendant having answered

complainant's complaint, and thereafter a hearing having been held in the premises, and the matter being submitted and now ready for decision, and the testimony introduced by the parties at said hearing being as set forth in the opinion preceding this order, and it appearing therefrom that Midway Gas Company has not a legal right to serve gas in Kern County and particularly in the Midway oil fields, nor a legal right to supply directly or indirectly the American Oil Fields Company and that in so doing it is proceeding in violation of the law.

It is hereby ordered that Midway Gas Company discontinue the supplying of gas to customers in the Midway oil fields and particularly to E. L. Doheny and American Oil Fields Company on or before the fifteenth day of June, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of June, 1917.

DECISION No. 4368.

IN THE MATTER OF THE APPLICATION OF THE CITY OF ARCADIA FOR AN ORDER AUTHORIZING THE CONSTRUCTION OF PUBLIC STREETS OR WAYS ACROSS THE RIGHT OF WAY AND PROPERTY OF SOUTHERN PACIFIC COMPANY, AND TO EFFECT THE EXTENSION OF SUNSET BOULEVARD AND GOLDEN WEST AVENUE.

Application No. 2875.

Decided June 2, 1917.

City of Arcadia granted permission to construct Sunset boulevard and Golden West avenue across the tracks of Southern Pacific Company at grade, the city to stand expense of such construction.

James B. Baker and Mark Ehle, for Applicant.

George D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

Sunset boulevard and Golden West avenue which the city of Arcadia wishes to open over the track of Southern Pacific Company are north and south streets in a new subdivision known as Arcadia Acres. The railroad to be crossed is the Duarte branch of the Southern Pacific Company and runs approximately east and west in this vicinity.

The Arcadia Acres subdivision, which has recently been put upon the market, is between Baldwin avenue on the east, a line about 560 feet west of Sunset boulevard on the west, Huntington boulevard on the north and Duarte road on the south. The tracks of Southern

Pacific Company are some 545 feet south of Huntington boulevard, and just to the north, and adjacent to that boulevard, are the tracks of Pacific Electric Railway Company. As most of the future residents in this subdivision will make daily trips to Los Angeles on the Pacific Electric it will be necessary for them to have access to that railroad. At the present time Baldwin avenue is the only north and south street in the subdivision which is open across the Southern Pacific tracks and the people who purchase lots in this tract will be unable to reach their suburban service without considerable inconvenience.

There are but very few families in this tract at the present time, and although the train service of the Southern Pacific consists of only one train each way per day, operated at slow speed, the public convenience of the few residents of this tract would not appear great enough at this time to require an additional crossing. South of this tract, however, is the subdivision of Santa Anita Park, which contains some 140 families, many of which are also dependent upon the Pacific Electric car line for commutation service to and from Los Angeles. Both Sunset boulevard and Golden West avenue run through Santa Anita Park and many witnesses testified that the opening of these streets over the Southern Pacific tracks would add greatly to their convenience. This seems to me to be clear from the location of this subdivision; and as long as the track of the Southern Pacific is, to all intents and purposes, a spur track, I believe public convenience and necessity is great enough to justify the opening of these crossings.

I recommend the following form of order:

ORDER.

City of Arcadia having applied to the commission for permission to open Sunset boulevard and Golden West avenue over the tracks of Southern Pacific Company, a public hearing having been held, and it appearing to the commission that this application should be granted subject to certain conditions,

It is hereby ordered that permission be and the same hereby is granted city of Arcadia to construct Sunset boulevard and Golden West avenue over the tracks of Southern Pacific Company at the point and in the manner applied for, subject to the following conditions, viz:

(1) The entire expense of constructing these crossings, together with the cost of their maintenance thereafter in good and first-class condition, shall be borne by applicant, except for those portions between the rails and two (2) feet outside thereof, which shall be maintained by Southern Pacific Company.

(2) Said crossings shall be constructed of a width not less than twenty (20) feet, with grades of approach not exceeding four (4) per cent; shall be protected by suitable crossing signs and shall in every

way be made safe and convenient for the passage thereover of vehicles and other road traffic.

(3) The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of June, 1917.

DECISION No. 4369.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING
ISSUE OF BONDS.

Application No. 2837.

Decided June 2, 1917.

Applicant authorized to issue \$232,000.00 face value of its first and refunding mortgage gold bonds, \$53,000.00 face value to be used to retire a like face value of bonds of the Coalinga Water and Electric Company, the balance to be sold at not less than 95, proceeds to be used partly to refund floating indebtedness of applicant, the balance for proposed additions and betterments.

Authorization conditioned upon the filing by applicant of a stipulation to the effect that it will within a period of one year levy an assessment against its stockholders for the purpose of raising a sum of not less than \$200,000.00, to be used in discharging floating indebtedness.

Application for an alternative order permitting the issuance of notes and the pledging of bonds as security therefor, at the ratio of 100 of bonds to 65 of notes, denied. The commission might consider valuations based on the present high prices of materials should such valuations be used in connection with an application to issue short term securities; however, when valuations are compiled in connection with long term obligations, prices based on average costs must be used.

Short & Sutherland, by W. A. Sutherland, for Applicant.

THELEN, Commissioner.

OPINION.

In this application as originally filed, Midland Counties Public Service Corporation asked for authority to issue \$825,000.00 face value of its first and refunding mortgage gold bonds. At the hearing applicant asked for authority to file an amendment to its petition. This amendment has since been filed and the commission is now asked to authorize the issue of not less than \$387,000.00 face value of applicant's first and refunding mortgage bonds to discharge floating indebtedness, to

defray the cost of proposed additions and betterments and to retire underlying bonds as hereinafter more fully set forth.

Midland Counties Public Service Corporation was formerly known as Coalinga Water and Electric Company. In 1913 the latter company acquired the properties of Midland Counties Gas and Electric Company, serving the towns of San Luis Obispo and Santa Maria; Paso Robles Light and Water Company, serving the town of Paso Robles; San Miguel Light and Water Company, serving the town of San Miguel; and Russel-Robinson Water and Electric Company, serving the town of Arroyo Grande. At the same time the name of Coalinga Water and Electric Company was changed by decree of the Superior Court of Fresno County to Midland Counties Public Service Corporation.

At the present time applicant serves electricity in the towns of Coalinga, San Miguel, Paso Robles, Templeton, Santa Margarita, San Luis Obispo, Arroyo Grande, Guadalupe, Santa Maria and in the suburban territory adjacent to these towns.

Midland Counties Public Service Corporation purchases all of its electrical energy from San Joaquin Light and Power Corporation. This energy is conveyed over a 60,000-volt transmission line, 137 miles in length, from the Henrietta substation of the San Joaquin Light and Power Corporation in Kings County, through Coalinga, San Miguel, Paso Robles, and San Luis Obispo to Santa Maria in Santa Barbara County.

Applicant also owns a high pressure gas transmission system from the oil fields southeast of Santa Maria to San Luis Obispo and Oilport. At the present time applicant is serving natural gas in San Luis Obispo and has recently been given authority by this commission to serve the towns of Avila, Pismo and suburban territory between Oilport and San Luis Obispo.

Applicant distributes water in the towns of Paso Robles and Arroyo Grande. At the present time negotiations are being carried on for the sale of the water system in Paso Robles to the municipality.

As of December 31, 1916, applicant reported consumers as follows:

Electric -----	4040
Gas -----	238
Water -----	578
Total -----	4856

Applicant has a total authorized issue of 10,000 shares of common capital stock of the par value of \$100.00 per share, all of which is outstanding, and a similar issue of 6 per cent cumulative preferred stock, of which five shares are outstanding.

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Applicant reports bonds outstanding at the present time as follows:

Company	Name	Rate	Date	Date maturity	Authorized	Outstanding
Midland Counties Public Service Corp.....	First and Ref.	6	10/1/13	10/1/53	\$3,000,000	\$155,900
Coulunga Water and Electric Co.	First Mtge.	6	1/1/10	1/1/40	2,000,000	53,000
Midland Counties Gas and Electric Co.....	First Mtge.	6	1/1/12	1/1/32	1,000,000	270,000
Totals					\$6,000,000	\$778,000

Under the terms of applicant's first and refunding mortgage, the corporation may issue bonds to the total amount of \$3,000,000.00. Of this amount \$821,000.00 face value of bonds are reserved for refunding purposes and \$679,000.00 may be issued for the full cost of additions and betterments when net earnings for the twelve months ending two months before when date of request is made, are one and one-half times the interest on all bonds outstanding and applied for. The remaining bonds in the sum of \$1,500,000.00 may be issued for 85 per cent of the cost of additions and betterments when net earnings for the twelve months preceding shall have been one and three-fourths times the interest on all bonds outstanding and applied for.

At the hearing applicant filed a copy of its financial statement for the month ending March 31, 1917 (Exhibit No. "1" of Petitioners). This statement shows notes payable in the total sum of \$399,698.97 and accounts payable in the total sum of \$153,037.80. Other current liabilities, consisting of accruals, pay rolls, etc., amount to \$58,670.74, making the total current liabilities as of March 31, 1917, \$611,407.51. To these figures should be added approximately \$85,000.00 which applicant owes on account of the purchase of its natural gas transmission system from the Santa Maria oil fields to San Luis Obispo.

Following is applicant's balance sheet as reported to the commission for the year ending December 31, 1916:

<i>Assets.</i>	
Fixed capital	\$1,962,276 33
Cash	3,170 04
Notes receivable	3,397 27
Due from consumers and agents.....	33,751 95
Miscellaneous accounts receivable.....	54,911 59
Materials and supplies.....	53,166 58
Sinking funds	37,244 33
Treasury securities	1,026 17
Prepaid taxes	160 03
Prepaid insurance	339 35
Other prepayments	172 84
Unamortized discount on bonds.....	46,787 01
Other suspense	8,670 13
Construction work in progress.....	271,115 22
Corporate deficit	51,537 75
Total assets	\$2,527,726 59

Liabilities.

Capital stock	\$1,000,500 00
Funded debt	825,000 00
Notes payable	399,498 97
Accounts payable	121,861 34
Interest accrued	27,389 42
Taxes accrued	1,109 22
Service billed in advance	1,631 32
Reserve for accrued depreciation	82,456 12
Casualty insurance reserves	6,266 47
Reserves invested in sinking funds	42,244 33
Other reserves from income or surplus	19,769 40
Total liabilities	\$2,527,726 59

Following are comparative income and profit and loss accounts for the years 1913 to 1916, inclusive, as reported by applicant to the commission:

	1913	1914	1915	1916
Operating revenues.				
Electric	\$170,103 65	\$168,693 27	\$169,851 16	\$207,747 82
Gas	23,849 30	26,232 95	27,371 14	16,439 57
Water	10,836 96	10,337 81	10,889 26	11,463 75
Total operating revenues	\$204,789 91	\$205,264 06	\$208,114 56	\$235,651 14
Operating expenses.				
Electric	\$123,520 64	\$121,216 83	\$121,685 48	\$114,923 10
Gas	13,777 81	17,873 72	20,404 97	21,065 50
Water	7,272 40	9,006 50	8,743 25	9,692 87
Total operating expenses	\$144,570 85	\$148,097 05	\$150,233 70	\$145,681 47
Net operating revenue	\$60,219 06	\$57,167 01	\$57,880 86	\$89,969 67
Nonoperating revenues	4,013 74	472 92	2,970 59	1,537 61
Gross corporate income	\$64,232 80	\$57,639 93	\$60,851 45	\$91,507 28
Deductions.				
Interest on funded debt	\$47,738 31	\$48,837 32	\$49,727 33	\$49,500 00
Other interest	17,183 33	25,122 23	26,997 64	27,259 68
Miscellaneous deductions	2,176 81	2,477 59	2,406 74	2,767 30
Total deductions	\$67,398 45	\$76,437 14	\$79,131 71	\$79,526 98
Balance to profit and loss	*\$3,165 65	*\$18,797 21	*\$18,280 26	\$11,980 30
Miscellaneous additions	\$2,410 39	\$22,769 85	\$1,495 58	\$581 33
Miscellaneous deductions	24,261 67	19,154 57	17,008 21	18,210 26
Surplus at beginning of year	28,105 63	3,085 70	*12,096 23	*45,889 12
Surplus at end of year	3,085 70	*12,096 23	*45,889 12	*51,537 75

*Deficit.

In connection with the application now before the commission, applicant has filed a valuation prepared by Mr. G. R. Kenny. Based

upon average prices over a period of years, Mr. Kenny finds a reproduction cost new as of September 30, 1916, of \$1,441,728.63. Following is a segregation of the principal items making up the above total:

Gas department.		
Gas transmission system-----	\$327,271 57	
San Luis Obispo system-----	\$4,159 47	
		\$411,431 04
Water department -----		70,325 20
Electric department.		
Land -----	\$9,688 50	
Production capital -----	\$3,352 36	
Transmission capital -----	337,233 75	
Distribution capital -----	417,522 05	
General equipment -----	43,997 08	
Working capital (electric)-----	62,240 65	
		954,034 39
General nonoperative property-----		5,938 00
Grand total -----		\$1,441,728 63

Mr. Kenny has also prepared a valuation based upon the present high prices of wire and pipe, showing a reproduction cost new as of September 30, 1916, of \$1,810,230.04.

Applicant urges that the latter figures should be used by this commission in determining the value of the property for bonding purposes. This contention might be urged with some merit were applicant asking for an issue of short term securities. The bonds in question, however, have a remaining life of 36 years. It seems to me obvious that any issue of long term bonds, in so far as it is based upon property values, should be predicated upon the closest approximation to average or normal value which it is possible to obtain. Only by so doing can a conservative ratio be maintained between the value of the property and the outstanding bonded debt.

At the hearing applicant presented certain data as to changes in the value of its property since September 30, 1916, for the purpose of bringing Mr. Kenny's valuation down to February 28, 1917. Applying these changes to Mr. Kenny's valuation, based on average prices, we arrive at the following result:

Reproduction cost as of September 30, 1916-----	\$1,441,728 63
Plus additions and betterments to February 28, 1917-----	63,982 24
	\$1,505,710 87
Less steam plants no longer used-----	51,693 00
Reproduction cost as of February 28, 1917-----	\$1,454,017 87

No data has been presented by applicant as to the present value of its property other than by the testimony by Mr. Kenny at the hearing that

in his opinion the present value would be not less than 90 per cent of the reproduction cost.

No valuation of applicant's property has been made by this commission nor has any check of applicant's valuation been made by the commission's engineers. It is certain, however, that if such a valuation or check were made a number of items claimed by applicant would be excluded or materially reduced, as, for example, the inclusion of applicant's gas transmission line at a reproduction cost as of February 28, 1917, of \$341,753.06, although the price paid therefor, plus additions and betterments to February 28, 1917, was only \$162,928.59.

Based upon the value of its properties as found by Mr. Kenny, applicant in its amended petition asks for authority to issue and sell at the present time \$222,000.00 face value of its first and refunding mortgage bonds. The issue of this amount of bonds will bring applicant's total bonded debt up to \$1,000,000.00. The purpose for which applicant desires to issue this \$222,000.00 face value of bonds is not stated in the petition, but from the testimony at the hearing it appears that it is the corporation's intention to use the proceeds in reducing its floating indebtedness.

Applicant further desires to issue not less than \$109,000.00 face value of first and refunding bonds for 80 per cent of proposed additions and betterments during 1917 and to issue \$56,000.00 face value of bonds to retire a like amount of underlying bonds of Coalinga Water and Electric Company.

In case applicant is unable to sell any of the bonds authorized for purposes other than refunding underlying bonds, it requests authority to pledge said bonds as security for promissory notes in a ratio of not to exceed \$100.00 of bonds for \$65.00 of notes. Under the facts herein presented, I am not disposed to recommend such pledge at this time.

Applicant has submitted an exhibit (Petitioner's Exhibit No. "2") showing its proposed additions and betterments for 1917. This exhibit may be summarized as follows:

	Estimated expenditures
Coalinga oil fields.....	\$22,500 00
Santa Maria oil fields.....	17,000 00
Town and local extensions required to take care of ordinary growth of territory.....	25,000 00
Kieselguhr Company extension and transmission.....	2,000 00
Union Beet Sugar Company.....	3,300 00
Extension of 60,000-volt line to Los Alamos and substation for betterment of service.....	56,000 00
Associated Oil Company-Zaca Canyon.....	10,000 00
Total	\$135,800 00

Applicant's electric business has shown a considerable increase during the past year due to renewed activity in the oil fields and in the beet

sugar industry. Applicant's engineer estimates that the increase in net income for 1917 will be approximately \$70,000.00.

Applicant has made no contract for the sale of the bonds herein applied for, but A. C. Baleh, applicant's president, testified that he was certain the company could obtain better than 95.

In case this application is granted petitioner proposes to levy immediately an assessment upon its stockholders for \$100,000.00 and to levy a similar assessment within one year's time for the purpose of reducing its floating indebtedness. The order herein will contain a condition providing that petitioner shall file a stipulation agreeing to levy such assessments.

The \$56,000.00 of first and refunding bonds which applicant desires to issue to retire a like amount of underlying bonds of Coalinga Water and Electric Company may now be issued for this purpose under Decision No. 966 (Vol. 3, Opinions and Orders of the Railroad Commission of the state of California, page 598). The authority granted by said decision will expire, however, on May 31, 1917. Applicant's request may be granted either by an extension of time under Decision No. 966 or by an order herein. Applicant has asked that the latter method be followed and I see no objection to granting this request. As the testimony at the hearing shows that at the present time but \$53,000.00 face value of bonds of Coalinga Water and Electric Company are outstanding, the authority to issue first and refunding bonds in exchange therefor will be limited to this amount.

I am not persuaded to applicant's view that the value of its properties as presented to the commission in this application will warrant a further issue of \$222,000.00 face value of bonds.

Without making any finding as to the value of applicant's property, I am willing to recommend an issue of \$70,000.00 face value of bonds at this time for the purpose of refunding a portion of applicant's floating indebtedness provided such indebtedness was incurred for proper capital purposes. I am further willing to recommend an issue of \$109,000.00 face value of bonds to defray a portion of the cost of additions and betterments during 1917.

I accordingly submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to this commission for authority to issue \$387,000.00 face value of its first and refunding mortgage gold bonds as hereinbefore set forth, and a public hearing having been held, and it appearing to this commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that Midland Counties Public Service Corporation be and it is hereby authorized to issue \$232,000.00 face value of its first and refunding mortgage gold bonds, dated October 1, 1913, and maturing October 1, 1953.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be issued for the following purposes only:

(a) Seventy thousand dollars face value of bonds to refund floating indebtedness incurred for proper capital purposes.

(b) One hundred nine thousand dollars face value of bonds to defray a portion of the cost of the proposed additions and betterments set forth in Exhibit No. "2" of petitioners.

(c) Fifty-three thousand dollars face value of bonds to retire a like amount of underlying bonds of Coalinga Water and Electric Company, said bonds to be retired on the basis of bond for bond of equal par value.

2. The bonds authorized in paragraph 1 above, under sections (a) and (b), shall be issued so as to net applicant not less than 95 per cent of their face value and accrued interest.

3. Before issuing any bonds under section (a) of paragraph 1 above, applicant shall file with this commission a statement of the floating indebtedness which it proposes to pay out of the proceeds of such bonds, and secure this commission's approval of such statement evidenced by supplemental order.

4. The authority herein granted shall not become effective until applicant shall have filed with this commission a stipulation duly approved by its board of directors agreeing that within one year from the date of this order there shall be levied upon the stockholders of Midland Counties Public Service Corporation a stock assessment or assessments for the purpose of refunding floating indebtedness, the total amount of said assessment or assessments to be not less than \$200,000.00, and applicant shall secure from this commission a supplemental order approving said stipulation.

5. Midland Counties Public Service Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the issue and sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted to Midland Counties Public Service Corporation to issue bonds is conditioned upon the payment by Midland Counties Public Service Corporation of the fee prescribed by the Public Utilities Act.

7. The authority herein granted Midland Counties Public Service Corporation to issue bonds shall apply only to such bonds as shall have been issued on or before June 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of June, 1917.

DECISION No. 4370.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO SUPPLY ELECTRIC CURRENT FOR LIGHTING, HEATING AND POWER PURPOSES IN THE CITY OF CLAREMONT.

Application No. 2885.

Decided June 2, 1917.

Applicant granted a certificate declaring that public convenience requires the exercise of rights obtained under a franchise secured from the city of Claremont permitting the transmission and distribution of electric energy in said city, provided a stipulation be filed to the effect that no value shall ever be claimed for such franchise in excess of the actual original cost thereof.

H. H. Trowbridge and Harry J. Bauer, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application for certificate of public convenience and necessity to supply electric energy in the city of Claremont, Los Angeles County.

Southern California Edison Company has been serving this territory with electric energy for all purposes for about twelve years. Upon attention being called by the city authorities to the fact that the company had no authority under its constitutional franchise to supply energy for other purposes than lighting, negotiations were entered into which have resulted in applicant acquiring a 30-year franchise contained in Ordinance No. 121, adopted by the board of trustees of the city of Claremont, June 5, 1916, which franchise permits the use of the streets and public places "for transmitting and distributing electric energy to be used for any and all purposes other than lighting." The amount bid for the franchise was \$100.00. Delay in making the above application was due to the inadvertence of applicant.

The service in question is needed in Claremont, which is in the midst of a thriving progressive community. No other utility is engaged in supplying electric energy in that territory and there are no municipal works installed for the purpose.

ORDER.

Southern California Edison Company having applied under section 50(b) of the Public Utilities Act for certificate of public convenience and necessity to exercise rights and privileges under a franchise obtained from the city of Claremont, Los Angeles County, and a public hearing having been held thereon and the Railroad Commission being fully advised in the premises,

It is hereby declared that public convenience and necessity require the exercise by Southern California Edison Company, its successors and assigns, of the rights and privileges conferred by Ordinance No. 121, adopted by the board of trustees of the city of Claremont, Los Angeles County, June 5, 1916, provided said Southern California Edison Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that Southern California Edison Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for said rights and privileges in excess of the actual cost to Southern California Edison Company of acquiring said rights and privileges, which cost is represented by it to have been \$100.00; and provided, it shall have received from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the Railroad Commission has been filed.

Dated at San Francisco, California, this second day of June, 1917.

Decisions 4371 and 4372, grade crossings; not printed. See end of volume.

DECISION No. 4373.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER AUTHORIZING IT TO PURCHASE AN ELECTRIC DISTRIBUTING SYSTEM AT BEVERLY HILLS, AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2864.

IN THE MATTER OF THE APPLICATION OF BEVERLY HILLS UTILITIES COMPANY FOR AN ORDER AUTHORIZING IT TO SELL AN ELECTRIC DISTRIBUTING SYSTEM AT BEVERLY HILLS, CALIFORNIA, TO SOUTHERN CALIFORNIA EDISON COMPANY.

Application No. 2871.

Decided June 6, 1917.

Beverly Hills Utilities Company authorized to transfer its electrical distributing properties to the Southern California Edison Company for the sum of \$23,347.70, plus the cost of additions and betterments made to date of transfer, and the

Edison company is granted a certificate permitting operation under franchise granted to Beverly Hills company, provided no value shall ever be claimed for such franchise in excess of the actual original cost thereof.

Gibson, Dunn & Crutcher and *S. M. Haskins*, for Beverly Hills Utilities Company.

H. H. Troubridge and *Harry J. Bauer*, for Southern California Edison Company.

BY THE COMMISSION.

OPINION.

A public hearing in the above-entitled applications was conducted before Examiner Westover at Los Angeles on April 26, 1917. In these applications Beverly Hills Utilities Company requests authorization to sell its electric distributing system described in Exhibit "1" attached hereto, to Southern California Edison Company, and Southern California Edison Company requests authorization to purchase the same and for a certificate of public convenience and necessity to exercise a franchise obtained by Beverly Hills Utilities Company from the city of Beverly Hills.

Beverly Hills Utilities Company wishes to retire from the field and sell its electric distributing system to Southern California Edison Company.

It was stipulated that the two applications might be heard together and that they be consolidated, and also that any evidence submitted in Application 2834, which application was heard at the same time and this day decided, should be considered in evidence in these matters, if applicable.

It appears that Southern California Edison Company is better prepared to serve Beverly Hills and vicinity than Beverly Hills Utilities Company.

Most of the territory served with electric energy by Beverly Hills Utilities Company was incorporated about three years ago as Beverly Hills, a city of the sixth class.

By Ordinance No. 32, adopted April 9, 1917, the city of Beverly Hills granted to Beverly Hills Utilities Company the right, privilege and franchise for forty years to erect, construct and maintain an electric distributing system along the public highways, streets, alleys and public places of the city.

Including the real estate and materials and supplies on hand, the cost of the electric distributing system is reported at \$31,204.94. The purchase price is the sum of \$23,347.70, plus the cost of additions and extensions, franchises and value of materials and supplies at the date when possession of the property is transferred.

The commission has made no valuation of the electric distributing system, but its engineers, after checking the figures presented, report the

purchase price to be reasonable. Beverly Hills Utilities Company is the only utility serving electric energy in Beverly Hills and immediate vicinity. There is no mortgage indebtedness and its electric properties are all to be conveyed free from encumbrances of any kind.

Southern California Edison Company will carry out all contracts for service by the Beverly Hills Utilities Company which were in effect on April 26, 1917.

ORDER.

Beverly Hills Utilities Company and Southern California Edison Company having applied to the Railroad Commission for the authority granted in its order, and a public hearing having been held, and it appearing to the commission that said authority should be granted,

It is hereby ordered as follows:

(a) Beverly Hills Utilities Company is hereby authorized to transfer and convey to Southern California Edison Company all its properties and electric distributing system described in Exhibit "1," attached hereto, for the sum of \$23,347.70, plus the cost of additions and extensions, franchises and value of materials and supplies at the date when the possession of the property is transferred.

(b) It is hereby declared that public convenience and necessity require the exercise by Southern California Edison Company of the rights and privileges conferred upon Beverly Hills Utilities Company by Ordinance No. 32 of the city of Beverly Hills, adopted April 9, 1917; provided, Southern California Edison Company shall acquire the electric properties and franchise of Beverly Hills Utilities Company and file with the Railroad Commission a stipulation duly authorized by its board of directors, declaring that Southern California Edison Company, its successors and assigns will never claim before the Railroad Commission or any court or other public body a value for said rights and privileges in excess of the original cost of acquiring said rights and privileges, which cost is represented by said Southern California Edison Company to have been \$500.00, and provided it shall have received from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the Railroad Commission has been filed with said Railroad Commission.

This order is made upon the following conditions:

1. The authority herein granted shall not be binding in any proceeding upon this commission or any tribunal, court or public body as a finding by this commission of the value of applicant's property for any purposes other than those relating to this application.

2. The stipulation herein required to be filed by applicant, Southern California Edison Company, concerning its franchise shall be filed within sixty days from date hereof.

3. Within ten days after any such conveyance or transfer is delivered, the grantor in said transfer or conveyance shall report in writing to the commission the fact of such delivery, with the date thereof, and shall file with the Railroad Commission a copy of any such transfer or conveyance.

4. The authority herein contained shall extend only to such property as shall have been transferred on or before August 31, 1917.

Dated at San Francisco, California, this sixth day of June, 1917.

EXHIBIT NO. 1.

The property which Beverly Hills Utilities Company proposes to sell to Southern California Edison Company is described in Exhibit "A" attached to Application No. 2864 as follows:

That the Seller agrees to sell and convey unto the Purchaser, and the Purchaser agrees to purchase and accept from the Seller the entire electric distributing system now owned by the Seller situated in and near the City of Beverly Hills, California, and all additions and extensions hereafter made thereto by the Seller, including all poles, pole lines, conduits, transformers, crossarms, insulators and all other property of every kind and character constituting a part of said electric distributing system; also all material and supplies purchased by the Seller for use on said system, which the Seller now has on hand. Also all rights of way, easements and franchises under or by virtue of which any or all of said property was erected, or is maintained and operated. The property to be conveyed hereunder includes Lot 12 in Block 1 of Beverly, in the County of Los Angeles, State of California, as per map recorded in Book 11, page 94 of Maps, Records of said County.

The purchase price to be paid for the property agreed to be conveyed hereunder shall be the sum of \$23,347.70. In addition thereto the Purchaser shall pay the Seller a sum equal to the cost of all extensions and additions made by the Seller to said electric distributing system since September 30, 1916, and of such extensions and additions thereto as may be made hereafter with the consent of the Purchaser, also the actual cost of all work done by the Seller subsequent to December 1, 1916, and prior hereto in rebuilding said electric distributing system to comply with the rules and regulations of the Railroad Commission of the State of California.

DECISION No. 4374.

IN THE MATTER OF THE APPLICATION OF BEVERLY HILLS UTILITIES COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE SALE BY THE FORMER TO THE LATTER COMPANY OF A GAS DISTRIBUTING SYSTEM AND FRANCHISES, AUTHORIZING THE ISSUANCE OF PROMISSORY NOTES IN PAYMENT THEREFOR, AND GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE FRANCHISE RIGHTS.

Application No. 2834.

Decided June 6, 1917.

Beverly Hills Utilities Company authorized to transfer, for the sum of \$18,500.00, its certain gas distributing system to the Southern California Gas Company and the latter company is authorized to issue its note or notes in the above amount in exchange therefor.

Gibson, Dunn & Crutcher and S. M. Haskins, for Beverly Hills Utilities Company.

O'Melveny, Stevens & Millikin and *A. E. Peat*, for Southern California Gas Company.

BY THE COMMISSION.

OPINION.

A public hearing in the above-entitled matter was conducted before Examiner Westover at Los Angeles on April 26, 1917. In this application Beverly Hills Utilities Company requests authority to sell to Southern California Gas Company its gas distribution system described in Exhibit "1," attached hereto.

Southern California Gas Company requests authority to issue a note for \$18,500.00 in part payment for said gas distribution system. It also asks the commission to issue its order declaring that public convenience and necessity require it to exercise rights and privileges granted by city of Beverly Hills to Beverly Hills Utilities Company, under Ordinance No. 31, adopted April 2, 1917.

The above application was heard in conjunction with applications No. 2864 and No. 2871, relating to the sale of the electric distribution system of Beverly Hills Utilities Company to Southern California Edison Company. It was stipulated that all the evidence might be considered in each application in so far as it was found applicable.

Rodeo Land and Water Company subdivided and laid out the property known as Beverly Hills and installed the present gas, electric and water systems, all of which are now the property of Beverly Hills Utilities Company. The latter company will continue to operate the water system. Most of the territory served with gas was incorporated about three years ago as Beverly Hills, a city of the sixth class.

The gas distributed by Beverly Hills Utilities Company is purchased from Southern California Gas Company. It is a mixture of artificial and natural gas in about equal parts. It is the same quality of gas which is supplied by the Southern California Gas Company to its consumers in Los Angeles, and which it sells at wholesale to Southern Counties Gas Company of California for distribution in Sawtelle, Santa Monica and Venice.

It appears that Southern California Gas Company is better prepared than Beverly Hills Utilities Company to serve Beverly Hills and vicinity. The purchasing company does not at this time contemplate a change in rates. It will operate under the franchise granted by Ordinance No. 31, to Beverly Hills Utilities Company. It has filed with the commission for approval a stipulation duly executed by its board of directors agreeing that it, its successors and assigns will never claim before the Railroad Commission or any court or other public body a value for said franchise, rights and privileges an amount in excess of the actual cost of acquiring said franchise, rights and privileges, said cost being \$405.00.

In Exhibit "A," attached to the application, applicant reports the original cost of the gas distributing system as of December 1, 1916, at \$21,828.16. The purchase price of the properties, including the franchise, is \$18,500.00, plus the cost of materials and supplies on hand at the time of the transfer of possession and the cost of extensions and improvements subsequent to December 1, 1916. The commission has made no valuation of the gas distribution system, but its engineers have checked the data submitted and find the purchase price to be reasonable.

Beverly Hills Utilities Company reports that it has no mortgage indebtedness. Its properties are to be conveyed free from encumbrances of any kind. As part payment Southern California Gas Company asks authority to issue its 6 per cent promissory note or notes in the aggregate sum of \$18,500.00, payable on or before July 1, 1918, pursuant to the purchase agreement dated March 1, 1917, and filed as Exhibit "1" under Application No. 2864.

ORDER.

Beverly Hills Utilities Company and Southern California Gas Company having applied to the Railroad Commission for the authority granted in this order, and a public hearing having been held upon said application, and it appearing to the commission therefrom that said authority should be granted and that the property to be procured by the issue of the note or notes by Southern California Gas Company is reasonably required for the purposes specified in the order, which purposes are not in whole or in part chargeable to operating expenses or to income,

It is hereby ordered as follows:

(a) Beverly Hills Utilities Company hereby is authorized to transfer and convey to Southern California Gas Company the gas distributing system described in Exhibit "1," attached hereto, for the sum of \$18,500.00, plus the cost of additions and extensions installed subsequent to December 1, 1916, and the value of materials and supplies on hand at the date when the possession of the property is transferred.

(b) Southern California Gas Company is hereby authorized to issue its note or notes in the aggregate sum of \$18,500.00, payable to Beverly Hills Utilities Company or order on or before July 1, 1918, with interest from date at the rate of 6 per cent per annum, payable semiannually, said note or notes to be dated as of the date of said conveyance.

(c) Southern California Gas Company having filed with the Railroad Commission a stipulation in form satisfactory to the commission, duly authorized by its board of directors, agreeing that Southern California Gas Company, its successors and assigns will never claim before the Railroad Commission or any court or other public body a value for said right and privilege in excess of \$405.00, the original cost of acquiring

said rights and privileges, it is hereby declared that the public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges conferred upon Beverly Hills Utilities Company by Ordinance No. 31 of the city of Beverly Hills, adopted April 2, 1917; provided said company acquires the said gas property and franchise of said Beverly Hills Utilities Company.

This order is made upon the following conditions:

1. The authority herein granted shall not be binding in any proceeding upon this commission or any tribunal, court or public body as a finding by this commission of the value of applicant's property for any purposes other than those relating to this application.

2. The authority herein contained shall extend only to such property as shall have been transferred and to such note or notes as shall have been issued, within 90 days from the date hereof.

3. Within 10 days after any such conveyance or transfer is delivered, and within 10 days after any such note or notes shall be issued, the grantor in said transfer or conveyance and the maker of such note or notes, shall report in writing to the commission the fact of such delivery or issue, with the date thereof, and shall file with the Railroad Commission a copy of any such transfer or conveyance.

4. This order in so far as it relates to the transfer of said gas distributing system or to the issue of note or notes in payment therefor shall not become effective until Southern California Gas Company has paid the fee provided for by the Public Utilities Act.

Dated at San Francisco, California, this sixth day of June, 1917.

EXHIBIT NO. "1."

In the proposed deed of conveyance, filed with the Railroad Commission on May 21, 1917, the property to be transferred by Beverly Hills Utilities Company to Southern California Gas Company is described as follows:

The entire gas distributing system of pipes, pipe lines, conduits, meters, connections and other properties and appliances laid in or attached to the soil, which have been laid or installed by grantor or used by it, for carrying and serving gas within said City of Beverly Hills, including all of the grantor's rights and easements to lay, replace, maintain and operate the same.

The purchasing company will also acquire the gas system and supplies on hand at time of transfer of possession of property.

DECISION No. 4375.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY FOR AN ORDER AUTHORIZING SALE OF REAL PROPERTY.

Application No. 2964.

Decided June 6, 1917.

A public utility may dispose of property to which it has title without securing the consent of this commission, provided such property is not used or useful in the performance of its duties as a public utility. Application dismissed.

BY THE COMMISSION.

ORDER OF DISMISSAL.

East Bay Water Company having in this proceeding asked the authority of the Railroad Commission to execute a deed conveying:

1. To Abe P. Leach and H. B. Mehrmann the following described real property situated in the township of Pleasanton, county of Alameda, state of California, to wit:

Commencing at corner No. 16 of the official survey of the Santa Rita Rancho; running thence north along said Rancho line 2,010.4 feet; thence north $57^{\circ}45'$ East 1,444.3 feet to a point on the west side of County Road No. 1927; thence south $24^{\circ}3'$ East, 1717.8 feet to a point on the south boundary of Santa Rita Rancho; thence south $57^{\circ}45'$ West, 2,272.1 feet along southerly boundary of Santa Rita Rancho to a place of beginning; the same containing 72.53 acres, and being a portion of the Santa Rita Rancho included in a 225 acre tract, deeded by A. Chabot to the Contra Costa Water Company March 24, 1883.

2. To James P. Taylor the following described real property situated in the city of Oakland, county of Alameda, state of California, to wit:

1st. Beginning at the intersection of the westerly line of Webster Street with the northerly line of Water Street; and running thence N. $63^{\circ}45'$ W. along the northerly line of Water Street, 99.75 feet; thence N. $89^{\circ}59'$ East along the Peralta Grant Line 111.22 feet to the westerly line of Webster Street; thence S. $26^{\circ}15'$ W. along the westerly line of Webster Street 49.22 feet to the point of beginning. Being portion of Lots 21, 22 and 23, Block 203, as per Kellersberger's Map of the City of Oakland.

2nd. Beginning at a point on the westerly line of Lot 14, Block 203, as per Kellersberger's Map of the City of Oakland, S. $26^{\circ}15'$ W. 93.06 feet from the southerly line of First Street; thence S. $63^{\circ}45'$ East 12.24 feet to the Inner Marsh Line, State Tide Land Survey; thence S. $83^{\circ}30'$ W., 1456 feet along said Inner Marsh Line; thence N. $26^{\circ}15'$ E. 7.90 feet along the westerly line of said Lots 14 and 23 to the point of beginning. Being a portion of Lots 14 and 23, Block 203, as per Kellersberger's Map of the City of Oakland.

3. To Jeremiah T. Burke the following described real property situated in the city of Berkeley, county of Alameda, state of California, to wit:

Commencing at a point on the northerly line of Russell Street at the intersection with the same of the westerly line of the land owned by one Palache; running thence at a right angle to said northerly line of Russell street northerly 150 feet; thence at a right angle westerly and parallel with said northerly line of Russell Street 275 feet; thence at a right angle southerly 150 feet to the said northerly line of Russell Street; and thence at a right angle easterly and along the said northerly line of Russell Street 275 feet to the point of commencement. Being a portion of Plot No. 77 as per Julius Kellersberger's Map of the Rancho of V. and D. Peralta.

And the Railroad Commission finding that in each of the instances above mentioned the property in question is neither necessary nor useful in the performance of the duties of the East Bay Water Company to the public, and that accordingly the consent of the Railroad Commission is not necessary under section 51(a) of the Public Utilities Act for the conveyance of said real property,

It is hereby ordered that the application in this proceeding be and the same hereby is dismissed.

Dated at San Francisco, California, this sixth day of June, 1917.

DECISION No. 4376.

IN THE MATTER OF THE APPLICATION OF FONTANA POWER COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, FOR PERMISSION TO ISSUE STOCK AND BONDS AND TO MORTGAGE PROPERTY TO SECURE SAID BONDS, AND FOR PERMISSION TO ENTER INTO A CERTAIN INDENTURE OF LEASE.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO ENTER INTO A CERTAIN INDENTURE OF LEASE AND TO ENTER INTO A CERTAIN CONTRACT FOR THE SALE OF POWER.

IN THE MATTER OF THE APPLICATION OF RIALTO DOMESTIC WATER COMPANY TO ENTER INTO A CERTAIN CONTRACT FOR THE PURCHASE OF POWER.

Application No. 2245.

Decided June 6, 1917.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas this commission in Decision No. 3773, dated October 10, 1916, authorized Fontana Power Company and Southern California Edison Company to enter into a contract for lease of property and purchase and sale of electric power, in the form of a copy of said contract filed with this commission as Exhibit "1"; and

Whereas this commission further authorized Fontana Power Company to enter into a contract with Fontana Union Water Company and Fontana Company for the transfer of certain property, said authority being conditioned upon the approval of a copy of said contract by this commission; and

Whereas Fontana Power Company has now advised this commission that the contract between Fontana Power Company and Southern California Edison Company, as finally executed differed in certain minor particulars from the form of contract approved by this commission in Decision No. 3773, and has filed for the commission's approval a copy of said contract as finally executed; and

Whereas Fontana Power Company has also filed for this commission's approval a copy of the proposed contract to be entered into between Fontana Power Company, Fontana Union Water Company and Fontana Company, covering the transfer of certain property;

And it appearing to this commission that the contract between Southern California Edison Company and Fontana Power Company should be approved and that Fontana Power Company should be authorized to enter into a contract with Fontana Union Water Company and Fontana company, covering the transfer of certain property,

It is hereby ordered that the contract dated January 18, 1917, between Fontana Power Company and Southern California Edison Company be and the same is hereby approved, a copy of said contract being on file herein, marked "Exhibit I amended."

The approval of the contract between Fontana Power Company and Southern California Edison Company is given on the condition that the Railroad Commission reserves the right hereafter to issue such orders as it may find necessary, which may modify or affect the terms of the lease set forth in said contract, or the terms and conditions of the interchange of electric power as set forth in said contract.

It is hereby further ordered that Fontana Power Company be and it is hereby authorized to enter into a contract with Fontana Company and Fontana Union Water Company substantially in the form of a contract filed with this commission on February 23, 1917, and marked Exhibit "II"; the approval herein given of said contracts is for the purpose of this proceeding only and is an approval only in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said contracts as to such other legal requirements to which said contracts may be subject.

Dated at San Francisco, California, this sixth day of June, 1917.

DECISION No. 4377.

IN THE MATTER OF THE APPLICATION OF NEVADA-CALIFORNIA-OREGON RAILWAY FOR AN ORDER AUTHORIZING THE CREATION OF A BONDED INDEBTEDNESS OF TWO MILLION TWO HUNDRED THOUSAND DOLLARS, AND FOR AN ORDER AUTHORIZING THE ISSUE OF ONE MILLION DOLLARS FACE VALUE OF BONDS.

Application No. 2814.

Decided June 6, 1917.

Applicant authorized to use \$125,000.00 of the proceeds of bonds heretofore authorized for the construction of office buildings, station and terminal facilities at Alturas, to use \$33,500.00 to defray expenses incidental to the sale of portions of its properties and the balance to reimburse treasury covering capital expenditures heretofore made.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the order found in Decision No. 4287, dated May 2, 1917, provides that applicant in the above-entitled matter shall file with the commission for approval a copy of its proposed traffic agreement with The Western Pacific Railroad Company; and a statement showing the expenses incidental to the sale of a portion of applicant's property; and

Whereas said order authorizes applicant to issue \$1,000,000.00 face value of 6 per cent 50-year first-mortgage bonds and to use \$750,000.00 of said bonds to retire \$750,000.00 of outstanding bonds due May 1, 1919, and to sell \$250,000.00 of said bonds at not less than 93 per cent of the face value thereof, plus accrued interest, provided that such sale shall be made only after this commission shall have issued a supplemental order stating the purpose or purposes for which the proceeds from such sale are to be used; and

Whereas applicant has filed for approval a copy of the aforesaid traffic agreement and a statement showing the expenses incident to the sale of a portion of its property; and

Whereas applicant asks authority to use the proceeds from the sale of the aforesaid \$250,000.00 face value of bonds to pay the cost of constructing an office building, shop and terminal facilities at Alturas and to reimburse its treasury for moneys heretofore expended therefrom and not secured or obtained from an issue of stocks, bonds or other evidences of indebtedness; and

Whereas applicant reports the estimated cost of its office building, shop and terminal facilities at Alturas at \$125,000.00, and that during the five years ending December 31, 1916, it has expended for capital purposes on its line north of Hackstaff, the sum of \$301,218.37, said sum not having been obtained from the sale of stocks, bonds or other evidences of indebtedness; and good cause appearing,

It is hereby ordered that Nevada-California-Oregon Railway be granted and hereby is granted authority to use \$125,000.00 of the proceeds obtained from the sale of \$250,000.00 of its first mortgage 6 per cent 50-year bonds to pay for the construction of an office building, shop and terminal facilities at Alturas and to use the remainder of the proceeds to reimburse in part its treasury for capital expenditures incurred during the five years ending December 31, 1916, on its line north of Hackstaff, California.

It is hereby further ordered that Nevada-California-Oregon Railway be granted and hereby is granted authority of use \$33,350.00 obtained from the sale of a portion of its property to pay the expenses incidental to sale of said property.

It is hereby further ordered that Nevada-California-Oregon Railway be granted and hereby is granted authority to enter into a traffic agree-

ment with The Western Pacific Railroad Company substantially in the same form as the traffic agreement filed with this commission in this proceeding.

Dated at San Francisco, California, this sixth day of June, 1917.

DECISION No. 4378.

IN THE MATTER OF THE APPLICATION OF SIERRA RAILWAY COMPANY OF CALIFORNIA AND THE SUGAR PINE RAILWAY COMPANY FOR AN ORDER APPROVING A SUPPLEMENTAL AGREEMENT FOR THE JOINT OPERATION OF THE PORTION OF LINE OF SIERRA RAILWAY COMPANY OF CALIFORNIA BETWEEN THE STATIONS OF RALPH AND SONORA, COUNTY OF TUOLUMNE, STATE OF CALIFORNIA.

Application No. 2869.

Decided June 6, 1917.

BY THE COMMISSION.

ORDER.

Sierra Railway Company of California and Sugar Pine Railway Company having made application to this commission, in accordance with section 51 of the Public Utilities Act, for the approval of a supplemental agreement covering the joint operation of the line of the Sierra Railway Company of California between the stations of Sonora and Ralph, all in Tuolumne County; the matter having been duly investigated and the commission being fully advised and of the opinion that this is not a matter in which a public hearing is necessary and that the application should be granted,

It is hereby ordered that this application be and the same hereby is granted.

Dated at San Francisco, California, this sixth day of June, 1917.

DECISION No. 4379.

IN THE MATTER OF THE APPLICATION OF THE HOME TELEPHONE COMPANY OF COVINA FOR PERMISSION TO SELL TEN THOUSAND DOLLARS PAR VALUE OF ITS SIX PER CENT FIRST MORTGAGE REFUNDING GOLD BONDS. AND FOR AN ORDER AUTHORIZING SAID SALE FOR ADDITIONS AND BETTERMENTS TO PLANT.

Application No. 2833.

Decided June 6, 1917.

Applicant authorized to issue \$6,500.00 face value of bonds to be sold at not less than par, proceeds to be used in extending its cable capacity and its pole and wire lines to care for new business.

23—33662

Expenses incurred in connection with reconstruction work required under the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1913, are not a proper capital charge and an issuance of bonds for such purposes is denied.

F. H. Wright, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to issue \$10,000.00 of applicant's 6 per cent first mortgage refunding gold bonds and use the proceeds for betterments and additions described herein.

Applicant is a public utility supplying local telephone service to Covina, Azusa, Glendora, San Dimas, Charter Oak, Irwindale, Vineland, Baldwin Park, Bassett, Puente, Rowland and vicinity, in Los Angeles County. It has three telephone exchanges in Covina, Azusa and Puente with a total of 1,740 subscribers. Its system is connected with toll service through its Covina exchange only. The only toll charges are for service by other utilities operating toll lines to points on their lines reached through applicant's Covina exchange. It serves all of its subscribers connected with its three exchanges without other charges than its regular monthly rates.

By Decision No. 897 of August 21, 1913, the commission authorized applicant to issue \$87,700.00 face value of its said 6 per cent bonds and use \$18,000.00 face value to refund a bank loan for the same amount, \$22,000.00 face value to increase applicant's exchange facilities at Puente, Covina, Azusa and Glendora, and use the remaining \$47,700.00 face value to refund an equal amount of applicant's 5 per cent bonds theretofore issued. Of the latter, \$7,000.00 face value had been pledged by applicant as collateral. (See Vol. 3, Opinions and Orders of the Railroad Commission, p. 466.)

Applicant determined not to refund its 5 per cent bonds with 6 per cent bonds, thus increasing its fixed charges. It has, however, retired part of its 5 per cent bonds and redeemed the \$7,000.00 of bonds pledged. It now has outstanding a total of \$37,700.00 face value of its said 5 per cent bonds which constitute a first lien upon its property, and \$40,000.00 face value of its said 6 per cent refunding bonds.

Applicant reports capital installed, investments and working assets of \$182,116.11, over \$15,000.00 of which it testifies has been added from earnings during the last three years. Its reserve for accrued depreciation is shown as \$23,936.77, which it testifies is reinvested in plant. No inventory or appraisalment was submitted, and the commission has not made a valuation of applicant's properties.

Applicant asks permission that it be permitted to sell the bonds at not less than 95 per cent of their par value. We believe that applicant, in view of its earnings, should receive par for the bonds.

Applicant wishes to apply proceeds of the bonds authorized herein approximately as follows: Increasing cable capacity, about \$5,000.00; pole and wire lines, \$1,500.00 to \$2,000.00; balance of cost of reconstruction to comply with chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, about \$3,500.00. From the showing made it does not appear what part of the latter item, if any, is properly chargeable to capital account. For this reason, no authorization will be given at the present time with reference to this item.

No tentative sale of said bonds has been made, but applicant reports several inquiries for them.

ORDER.

Home Telephone Company of Covina having applied to the Railroad Commission for authority to issue \$10,000.00 face value of its bonds, and a public hearing having been held upon said application and it appearing that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that said purposes are not reasonably chargeable to operating expenses or to income,

It is hereby ordered that Home Telephone Company of Covina be and it is hereby authorized to issue \$6,500.00 face value of its 6 per cent first mortgage refunding gold bonds at a price which will net par to applicant and use the proceeds of the sale thereof for the purpose of increasing its cable capacity, and extending its pole and wire lines to enable it to care for increasing business.

The authority herein granted is upon the following conditions:

1. The authority herein granted shall not bind this commission or any court or other public authority as a finding by this commission of the value of applicant's property.

2. On or before the twenty-fifth day of each month applicant shall file with the commission a verified report showing the bonds issued, the proceeds obtained from the sale of the bonds, the use made of such proceeds and other information required by General Order No. 24, which order in so far as applicable is made part of this order.

3. This authority to issue bonds shall not become effective until the fee specified in the Public Utilities Act therefor shall have been paid.

4. This authority to issue bonds shall apply only to such bonds as may be issued on or before October 1, 1917.

Dated at San Francisco, California, this sixth day of June, 1917.

DECISION No. 4380.

IN THE MATTER OF THE APPLICATION OF WHITE BUS LINE AND VALLEY STAGE LINE FOR AUTHORITY TO INCREASE PASSENGER FARES BETWEEN LOS ANGELES AND FULLERTON, ANAHEIM, ORANGE AND SANTA ANA.

Applications Nos. 2879, 2880.

Decided June 7, 1917.

Upon a showing that the cost of operating auto stages has considerably increased during the last few months and that under the present schedule of rates applicants are not making operating expenses, they are authorized to put into effect within twenty days, increases as proposed between Los Angeles and Fullerton, Anaheim, Orange and Santa Ana.

Herbert W. Kidd, for White Bus Line.

L. A. Lewis, for Valley Stage Line.

A. B. Watson, for Crown Stage Company.

LOVELAND, Commissioner.

OPINION.

These are applications on the part of the White Bus Line, a corporation, and the Valley Stage Line, a copartnership, hereinafter referred to as the White Line and the Valley Line, engaged in the transportation of passengers by auto busses between Los Angeles and Santa Ana, in connection with the Crown Stage Line, which handles the joint traffic between Anaheim and Santa Ana, for authority to increase certain passenger fares.

The present and proposed fares are set forth below:

Between— LOS ANGELES and—	One-way fares		Round trip		10-ride commutation	
	Present	Proposed	Present	Proposed	Present	Proposed
Fullerton -----	\$0 70	-----	\$1 00	\$1 15	*\$4 50	\$4 75
Anaheim -----	75	-----	1 00	1 25	*4 50	5 00
Orange -----	75	\$0 80	1 00	1 40		
Santa Ana -----	75	80	1 00	1 40		

*White Bus Line only.

A public hearing was held at Los Angeles May 25, 1917, and, by stipulation of all parties, the proceedings were consolidated and will, therefore, be covered by one decision and order, as the issues are identical.

A. L. Benedict, secretary and manager of the White Line, and S. P. Ogden, one of the partners of the Valley Line, gave testimony in support of the applications. No one appeared in opposition, although notification of the hearing was given by newspaper publication and by posting of notices in the automobiles of applicants.

The White Line commenced operations December 1, 1916, taking over the business formerly conducted by the P. E. Stage Line and continued to supply the rates of its predecessor, which rates are now alleged to be less than reasonable, and do not produce sufficient revenue to meet operating expenses.

According to the testimony, the property of the White Line includes seven White auto trucks and four Buick automobiles. These machines were purchased under the usual chattel mortgage lease contract, with interest at 8 per cent and there is still due on them the sum of \$13,000.00. The actual cash investment in the corporation as of May 1, 1917, was \$10,100.00.

A financial statement was submitted showing the operating costs and income for the months of December, 1916, and April, 1917. From the statement it is noted that while the general overhead expenses have remained fairly constant, the car operating expenses have materially increased. Bond and license costs were \$167.10 in December and \$401.60 in April; pay roll of car operators was \$952.15 in December and \$1,232.85 in April; tires and car repairs cost \$714.63 in December and \$2,468.92 in April. The total car expenses, including pay roll of drivers, was \$3,410.81 in December against \$4,438.75 in April, or an increase of \$1,027.94, while the revenue increased from \$5,682.69 to \$6,334.24, or only \$651.55.

The records do not furnish any segregation of the earnings as between stations, but the net returns for the five months' period of the existence of this company has been very unsatisfactory, resulting in a loss of \$3,581.10. Deficit in December was \$426.36, in February \$1,411.09, March \$1,217.67, and April \$636.29, while January, 1917, produced an operating profit of \$110.31.

The Valley Line operates five automobiles, has a capital investment of approximately \$10,000.00 and debts of \$6,500.00. The partnership included three members until about May 15, when one of the firm retired and his license to operate automobiles for hire was revoked. No comprehensive accounts of revenues and expenditures were kept by the firm, but the testimony of a witness was to the effect that the present activities barely meet the operating expenses and that there is an actual monthly loss, after charging off the depreciation.

The operating difficulties of the two applicants do not vary materially. The automobiles when working to full efficiency cover from 6,000 to 6,600 miles per car per month and the small machines are practically worthless for the service after having been used two years. A machine costing \$1,750.00 will sell at the end of the two-year period at from \$375.00 to \$500.00. The board of directors of the White Line, by resolution, established a depreciation rate of 15 per cent per annum against the large high-class busses, but since the cars are sold with a

guarantee of only 100,000 miles, it was the opinion of one witness that the depreciation would not be sufficient to cover these particular machines and that it should be at least 2 per cent per month.

Certain expenses, over which applicants have no control, such as taxes, labor, material, fuel and oils, have rapidly advanced within the last few months, the price of tires alone increasing over 50 per cent within five months, while the taxes of the different political subdivisions through which applicants operate have also been added to.

Out of the fares collected by applicant to the points beyond Anaheim it pays the Crown Stage Line 25 cents for each single fare and 30 cents for each round trip, but this division of the through fares will not be changed by reason of the proposed increases.

Taking into consideration the increases in operating expenses and the possibility that these increases will continue for some time, also the fact that sufficient revenue has not been received in the past to cover the actual costs of operation, including depreciation, I am of the opinion that the schedule of fares which applicants desire to have established, and which are lower than those in effect via the steam and electric roads between the same points, are not excessive or unreasonable, and in all probability will not be more than sufficient to pay operating expenses and depreciation. I therefore recommend that the applications be granted and submit herewith the following form of order:

ORDER.

The White Bus Line and the Valley Stage Line having applied to the Railroad Commission for an order authorizing the publication of the following fares:

Between— LOS ANGELES and—	One-way fares	Round trip	10-ride commuta- tion
Fullerton		\$1 15	\$4 75
Anaheim		1 25	5 00
Orange	\$0 80	1 40	
Santa Ana	80	1 40	

And a public hearing having been duly held and the commission being fully apprised in the premises finds as a fact that the fares hereinabove set forth are just and reasonable, and

It is hereby ordered that the White Bus Line and the Valley Stage Line be authorized to file with this commission within twenty (20) days from the date of this order the fares herein set forth.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of June, 1917.

DECISION No. 4381.

IN THE MATTER OF THE APPLICATION OF THE GILROY TELEPHONE COMPANY FOR AN ORDER EXTENDING TIME FOR COMPLIANCE WITH CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2328.

Decided June 7, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The commission having on September 26, 1916, by its Decision No. 3684, in the above-entitled proceeding, granted the Gilroy Telephone Company an extension of time to and including June 30, 1917, under the conditions specified in its order, for the completion of the reconstruction of its lines as provided in chapter 499, laws of 1911, as amended by chapter 600, laws of 1915; and said Gilroy Telephone Company having written a letter to the commission advising that, due to a difficulty which has been experienced in the delivery of certain materials, it can not complete its work within the time specified in the commission's decision; and a further extension of time to and including September 30, 1917, within which to complete said work having been requested,

It is hereby ordered that the time within which Gilroy Telephone Company shall reconstruct its existing system so as to comply completely with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, is hereby further extended to and including September 30, 1917. The final progress report of petitioner shall be filed with the Railroad Commission on or before October 15, 1917.

Dated at San Francisco, California, this seventh day of June, 1917.

DECISION No. 4382.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE TOWN OF NEWMAN BY ORDINANCE NO. 76 ON THE THIRTEENTH DAY OF MARCH, 1917.

Application No. 2911.

Decided June 7, 1917.

Applicant granted a certificate permitting the exercise of rights obtained under a franchise secured from the town of Newman authorizing the maintenance and operation of a telephone exchange in said town, provided no value shall ever be claimed for such franchise in excess of its actual original cost to grantee.

Pillsbury, Madison & Sutro, James T. Shaw and Felix T. Smith, for Applicant.

BY THE COMMISSION.

OPINION.

This is a petition by The Pacific Telephone and Telegraph Company, a corporation, hereinafter referred to as the Pacific company, asking that the Railroad Commission make its order declaring that public convenience and necessity require the exercise by petitioner of the rights and privileges granted to it by Ordinance No. 76 by the town of Newman, adopted on March 13, 1917.

A public hearing was held in San Francisco on May 26, 1917. No one appeared in objection to the granting of the petition.

On July 25, 1916, the Pacific company filed with the town of Newman a petition asking that the board of trustees advertise and sell to the highest bidder a telephone and telegraph franchise.

Ordinance No. 76 of the town of Newman, adopted on March 13, 1917, grants to the Pacific company, its successors and assigns, for a period of twenty-five years from and after the date of the ordinance, the right to do a general telephone and telegraph business within the town of Newman and, in general, to construct, operate and maintain a telephone and telegraph system on and along the public streets and other public places of the town of Newman.

Ordinance No. 76 contains provisions with reference to the use of the streets by the grantee of the franchise and construction thereon, including excavations therein, changes in construction due to street improvements, the free use by the town of Newman of the poles and underground conduits of the grantee to the extent indicated for low tension police and fire alarm purposes, and for the payment, after the first five years succeeding the date of going into effect of the ordinance granting said franchise, of 2 per cent of the gross annual receipts of the grantee, its successors and assigns, arising from the use, operation or possession of said franchise and privilege and any telephone or telegraph system to be constructed under and in pursuance of said franchise and privilege, as provided for by the Broughton Act.

The franchise contains other provisions to which it is not necessary here to refer.

The cost to petitioner of said franchise was the sum of \$120.00, as follows:

Bid for franchise -----	\$100 00
Cost of publishing notice of sale of franchise -----	20 00
Total -----	<u>\$120 00</u>

The Pacific company and its predecessors have been operating for many years in the territory within the corporate limits of the town of Newman, and it now has no competition in said town.

The petition should, in our opinion, be granted, subject to conditions contained in the following order:

ORDER.

The Pacific Telephone and Telegraph Company having filed the above-entitled application asking the Railroad Commission to make its order as specified in the opinion herein, and a public hearing having been held on said application,

The Railroad Commission hereby declares that public convenience and necessity require the exercise by The Pacific Telephone and Telegraph Company, its successors and assigns, of the rights and privileges conferred by Ordinance No. 76, adopted by the board of trustees of the town of Newman on March 13, 1917, entitled "An ordinance granting to The Pacific Telephone and Telegraph Company, its successors and assigns, the right to place, erect and maintain poles, wires and other appliances and conductors, and to lay underground conductors for wires for the transmission of electricity for telephone and telegraph purposes, in, upon, and under the streets, alleys, avenues, thoroughfares and public highways, in the town of Newman, state of California, and to exercise the privilege of operating telephone and telegraph instruments and of doing a telephone and telegraph business within said town of Newman"; provided, that The Pacific Telephone and Telegraph Company shall first have filed with the Railroad Commission a stipulation, duly authorized by its board of directors, agreeing for its successors and assigns, that they will never claim before the Railroad Commission of the state of California or any other public authority any value for the rights and privileges conferred by Ordinance No. 76 of the town of Newman, above referred to, in excess of the actual cost thereof to applicant, which cost shall be stated in said stipulation, and shall have secured from this commission a supplemental order herein declaring that such stipulation, in form satisfactory to this commission has been filed.

Dated at San Francisco, California, this seventh day of June, 1917.

DECISION No. 4383.

IN THE MATTER OF THE APPLICATION OF THE SACRAMENTO GAS COMPANY FOR PERMISSION TO INVEST TEN THOUSAND DOLLARS OF ITS UNEXPENDED FUNDS DERIVED FROM THE SALE OF ITS FIRST MORTGAGE BONDS IN UNITED STATES GOVERNMENT 3½ PER CENT LIBERTY LOAN BONDS.

Application No. 2990.

Decided June 12, 1917.

BY THE COMMISSION.

Whereas Sacramento Gas Company has applied to the commission for permission to invest \$10,000.00 in United States Government 3½ per cent Liberty Loan bonds; and

Whereas said \$10,000.00, which petitioner desires to so invest, is a portion of the unexpended balance amounting to \$33,202.54, being moneys received from the sale of petitioner's first mortgage bonds, and now on deposit with the Anglo-California Trust Company, trustee; and

Whereas it appears that petitioner will not require more than \$23,000.00 for additions and betterments during the next three years; and

Whereas it further appears that the contemplated investment of surplus funds by petitioner is entirely proper,

It is hereby ordered that Sacramento Gas Company be and the same is hereby authorized to invest in United States Government 3½ per cent Liberty Loan bonds the sum of \$10,000.00, as set forth in the application, said bonds to be deposited with the Anglo-California Trust Company, trustee, and the interest thereon to be added to the principal of the fund.

Dated at San Francisco, California, this twelfth day of June, 1917.

DECISION No. 4384.

IN THE MATTER OF THE APPLICATION OF A. L. HARRIS, DOING BUSINESS UNDER THE NAME OF ALLENDALE WAREHOUSE, FOR PERMISSION TO INCREASE STORAGE RATES.

Application No. 2873.

Decided June 12, 1917.

Conditions warranting, applicant authorized to put into effect within twenty days an increased rate for the storage of grain, namely, 90 cents per ton per season, resacking and repairing to be charged for according to actual time consumed, sacks and material to be furnished at cost.

A. L. Harris, in propria persona.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover on the above application for authority to increase rates from 75 cents to \$1.00 per ton per season, for the storage of grain in what is known as Allendale Warehouse, located at Allendale, Solano County, on the ranch operated by applicant.

The reason assigned for the application is the increased cost of labor and incidentals and particularly the apparent impossibility of knowing in advance just when and how much labor will be needed, especially in receiving grain into the warehouse. This difficulty results largely from the fact that the warehouse is a small one, with a capacity of but 1,400 tons, making it impracticable to give continuous employment to a warehouse crew; nor are the premises equipped with labor-saving devices. Grain grown in the vicinity is harvested, threshed and sacked in the field by machinery by one operation. The ranchers then haul it as soon as possible to the warehouse for storage. The rush period covers two or three weeks of hauling and storing, after which deliveries to the warehouse extending over two or three months are somewhat intermittent. This creates the problem of economizing on labor costs, as it is extremely difficult to procure labor in the vicinity for brief periods or fractions of days. The amount of labor per ton required to load grain out from the warehouse into cars is uncertain for the reason that during the latter part of the season, owing to the work of mice and rats and infirmities in sacks, there is a great deal of breakage, and considerable extra labor is required in repairing sacks, resacking grain, ready for shipment, for which labor no extra charge has heretofore been made, although a charge has been made for sacks and twine furnished. The rate paid for all labor about the warehouse is now \$3.00 per day together with board and lodging; and where grain is handled by the ton, 15 cents per ton with a guarantee of the \$3.00 rate.

Applicant stored during the season of 1915 about 660 tons of grain, receiving a gross revenue of about \$500.00 and during the season of 1916 he stored about 460 tons, receiving a gross revenue of about \$350.00. These figures are approximate as applicant kept no books. The testimony indicates that for the coming season the grain produced in the vicinity will be three or four times the amount produced last season. One patron of this warehouse stored 1,300 bags last year and expects to store 6,000 bags this year from substantially the same acreage. It is probable that during the coming season applicant's warehouse will be used to its capacity.

The warehouse is owned by applicant's mother, who receives as rent for the premises two-fifths of the gross storage revenue, which the

testimony indicates is the usual rental for warehouse property in that territory. The building is insured for \$1,500.00 and is valued by applicant at about \$2,000.00.

There was some complaint by ranchers that their teams were compelled to lose valuable time in hauling because of delay in unloading at the warehouse, but this appeared to be a minor matter which might easily be eliminated by cooperation of warehouseman and drivers, the latter to receive reasonable compensation for the service. The rate fixed herein for storage will include all charges for labor of receiving, storing and loading out, and nothing in the order will prevent the interested parties from taking advantage of such economies in labor as may be to their mutual interest.

ORDER.

A. L. Harris, operating the Allendale Warehouse at Allendale Station, Solano County, having applied to this commission for authority to increase his warehouse charges as set forth in the opinion preceding this order, and a public hearing having been held upon said application, and the commission being fully advised in the premises, it is hereby found that the rates, rules and regulations heretofore charged and observed by applicant A. L. Harris operating the Allendale Warehouse, are unjust and unreasonable to the extent that they differ from the rates, rules and regulations hereinafter named, which are hereby declared just and reasonable; and

It is hereby ordered that A. L. Harris be and he is hereby authorized to file within twenty (20) days from the date of this order the following schedule of rates, rules and regulations, and thereafter to charge and collect such rates and enforce such rules and regulations for warehouse service at the said Allendale Warehouse, to wit:

Allendale Warehouse.

Rates, Rules and Regulations.

- Storage for grain 50 cents per ton per season
- Labor of resacking grain and repairing sacks, for the time actually consumed, a rate per hour not to exceed current wages for like labor.
- Sacks and material for resacking shall be furnished at the expense of the owner of the grain, or may be supplied by warehouseman at actual cost to him.
- The storage season shall be understood to extend from June 1 to May 31 following, inclusive.

Dated at San Francisco, California, this twelfth day of June, 1917.

DECISION No. 4385.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND ARIZONA LAND COMPANY TO SELL, AND FOREST GROVE WATER COMPANY TO PURCHASE, THE PROPERTIES AND RIGHTS OF THE FIRST-NAMED COMPANY, AND THE LATTER COMPANY TO ISSUE STOCK.

Application No. 2848.

Decided June 12, 1917.

Los Angeles and Arizona Land Company authorized to transfer certain water properties to the Forest Grove Water Company and the latter company authorized to issue \$40,000.00 par value of its capital stock, \$2,000.00 par value in exchange for properties transferred, \$3,800.00 par value for capital advanced, the balance for the construction and completion of its water system.

A water plant admittedly constructed for the purposes of promoting real estate sales can not hereafter claim, under the head of development cost, losses incurred in early years of its operation.

Messrs. Goodrich and Martinson for Los Angeles and Arizona Land Company.

Fred N. Arnoldy, for Forest Grove Water Company.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon this application. Applicant, Los Angeles and Arizona Land Company, in 1913 subdivided portions of a tract in its then ownership, in total area somewhat over 500 acres, and provided this subdivided portion with a water system. Some 100 parcels were sold to individuals during the years 1913 to 1916 and 17 consumers of water became established.

At some time not of record, the Home Savings Bank, to whom the Los Angeles and Arizona Land Company had mortgaged the property, foreclosed and left this applicant in ownership of only that property described in the order following, which consisted of a parcel of land separate from the subdivided tract and a well located thereon. F. B. Newport organized Forest Grove Land Company and that company acquired ownership of the unsold portions of the tract of land above mentioned, and has proceeded to complete the subdivision and improvement thereof with the stated purpose of selling it off in small parcels at prices to range from \$4,000.00 to \$10,000.00 per acre.

The Forest Grove Water Company was incorporated to own and operate a water system for the purpose of serving the tract of land and the individual purchasers including those established during control of the tract by Los Angeles and Arizona Land Company.

The evidence before the commission indicates that the well and the parcel of land on which it is located have a value equal to the \$2,000.00 proposed as the purchase price. Excepting for a minor part of the

distribution system, this is the only property that has been in use for public utility purposes.

There has been no transfer separately, and with the authority of this commission, from the applicant first mentioned to the bank or from the bank to Forest Grove Land Company nor has a transfer been arranged from the latter to Forest Grove Water Company. It is, however, in testimony, that this small part of the distributing pipe lines installed by Los Angeles and Arizona Land Company still in use, has little or no value and must soon be replaced. It will now be used as a part of the utility system without a possibility of objection by the only other interests in any way involved.

Forest Grove Water Company is organized as a public utility water corporation. Its capital stock is planned ultimately to be \$75,000.00, divided into 7,500 shares at \$10.00 par value. Its application, in this instance, seeks authority for the issuance of \$2,000.00 of stock for the purpose of the land and well of the applicant first mentioned and \$4,800.00 to repay F. B. Newport who has advanced money for the recent construction on the water system and for later additions. The expenditures on this system by applicant, Forest Grove Water Company, to date, are reported as follows:

Pipe line -----	\$12,548 24
Reservoir -----	7,704 84
Pumping plant -----	3,492 91
Overhead -----	2,164 20
Total -----	\$25,910 19
Disputed account pumping plant -----	1,589 75
Total -----	\$27,500 94

Approximately \$10,000.00 will be needed to complete work already under way, all of which is outlined on maps presented as exhibits in this proceeding and detailed statements prepared by this company's engineers.

The rates now in effect are \$1.50 per month per lot. In view of the return indicated and the little development during the four years since the tract was first opened, it is apparent that Forest Grove Water Company can not hope to earn returns upon the investment in this system for a considerable time. The promoters of the land enterprise have stated that the stockholders, the principal one of whom will be F. B. Newport, are prepared to make good any deficits and to provide continuous and adequate service.

Neither Forest Grove Water Company nor future owners of the water system can expect to have losses suffered in the operation of this plant allowed for subsequently as development cost. It is admitted that the investment is made and the obligation is undertaken for the

reason that it has been found necessary in the development for sale of the real property.

While the application herein asks authority for issuance of \$50,000.00 of stock of Forest Grove Water Company, that applicant admits that a part of the expenditure will be made some time in the future and we advise a later application to the commission to cover expenditures then found necessary.

ORDER.

Los Angeles and Arizona Land Company having applied for an order authorizing it to sell a parcel of land and well thereon which it has used as part of a domestic water system, and Forest Grove Water Company having applied for authority to purchase said property and to issue \$50,000.00 par value of its capital stock, and a public hearing having been held, and the commission being fully apprised in the premises,

It is hereby ordered that Los Angeles and Arizona Land Company be and it is hereby authorized to transfer to Forest Grove Water Company a part of lot 197, tract 250, as per map thereof in Los Angeles County records, this parcel being more particularly described as follows, to wit:

Beginning at a point in the east line of Canada Boulevard at the northwest corner of said lot; thence along the north line thereof south $87^{\circ} 57'$ east 240.75 feet to a corner of said lot, thence along the westerly line thereof north $7^{\circ} 31'$ east 375 feet; thence south $82^{\circ} 29'$ east 150 feet; thence south $7^{\circ} 31'$ west 390.78 feet; thence north $87^{\circ} 57'$ west 386.76 feet to a point in the west line of said lot, being a point in the east line of Canada Boulevard; thence north $1^{\circ} 24'$ west 30.05 feet to the point of beginning.

And it is hereby ordered that Forest Grove Water Company be and it is hereby authorized to issue \$40,000.00 of its capital stock at the par value of \$10.00 per share, 200 shares to be issued to Los Angeles and Arizona Land Company in payment for the property hereinbefore described to be free of all encumbrance and 380 shares to be issued to F. B. Newport in payment for capital advanced in the construction of the water system of Forest Grove Water Company and in payment for the further construction now under way as detailed in the exhibits presented in this proceeding.

The authority hereby granted is upon the following conditions, to wit:

1. Forest Grove Water Company shall assume the obligations to serve the public heretofore resting upon Los Angeles and Arizona Land Company.

2. The authority to convey property and to issue stock shall not be treated or considered in any proceeding before this commission or any court, tribunal or public body as a finding by this commission of the value of the property herein described for any purpose other than the purposes of this proceeding.

3. The authority hereby granted shall extend only to the delivery of such conveyance and to the issue of such stock as may be respectively delivered or issued within ninety days from date hereof.

It is further ordered that within twenty days after the completion of the purchase of said parcel of land and the payment thereof by the issuance of stock herein authorized, applicant, Forest Grove Water Company, shall report to the commission in writing that said sale and purchase has been consummated and the date thereof.

It is further ordered that General Order No. 24 of this commission, in so far as applicable, shall apply to and be made a part of this order.

Dated at San Francisco, California, this twelfth day of June, 1917.

DECISION No. 4386.

IN THE MATTER OF THE APPLICATION OF PRODUCERS GAS AND FUEL COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2742.

Decided June 12, 1917.

Order made preliminary to the issuance of a certificate of public convenience and necessity, declaring that when applicant shall have secured necessary franchises permitting the construction of gas transmission and distributing lines in the city of McKittrick and vicinity, an order will be entered authorizing the exercise of rights thereunder.

Murray Bourne, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Producers Gas and Fuel Company, a corporation, for an order of the Railroad Commission declaring that it will, upon application, issue a certificate that the present and future public convenience and necessity require the exercise by said corporation of rights and privileges under franchises for which it has applied to the county of Kern and the board of trustees of the city of McKittrick, Kern County, California, which franchises comprehend the construction and operation of a gas transmission and distribution line in Kern County and in the city of McKittrick.

A hearing in this application was held at McKittrick on March 9, 1917, before Examiner Euclid. Mr. A. B. MacBeth, manager of the Producers Gas and Fuel Company, testified concerning its prospective developments.

From the evidence it appears that the territory in the city of McKittrick, constituting the so-called "McKittrick District" of the Midway-Sunset oil fields, is at present without a supply of natural gas such as

is furnished in the southern portion of the Midway-Sunset and the Kern River fields by the Valley Natural Gas Company. The oil producers in this section are at present using oil as fuel in their pumping and drilling operations instead of natural gas and, based upon a preliminary canvass, applicant states that many of these producers have signified a willingness to substitute natural gas for fuel in these operations.

The city of McKittrick is not now supplied by gas, either artificial or natural. The applicant proposes to distribute natural gas in the city of McKittrick. The mayor of the city and other representatives expressed a general desire on the part of the community for such a gas supply.

As hereinabove stated, an application has been made to the supervisors of Kern County and the board of trustees of the city of McKittrick for franchises. The latter franchise will cover the city of McKittrick and the former is for permission to construct transmission and distribution mains in

Townships twenty-five to twenty-nine (25 to 29) inclusive; and Sections one (1), two (2), eleven (11), twelve (12), thirteen (13), fourteen (14), twenty-three (23), twenty-four (24), twenty-five (25), twenty-six (26), thirty-five (35) and thirty-six (36) in township thirty (30) south, range twenty (20) east;

Townships twenty-five to thirty (25 to 30) south, inclusive; range twenty-one (21) east;

Townships twenty-five to thirty (25 to 30) inclusive, sections one to six (1 to 6) inclusive, and ten to twelve (10 to 12) inclusive, in township thirty-one (31) south, range twenty-two (22) east, M. D. B. & M.

The supply of natural gas with which applicant proposes to serve the territory in question is derived from the properties controlled by E. L. Doheny. The applicant has entered into a contract with the Doheny interests whereby applicant is to receive the entire flow of gas, or as much as can be used in applicant's business and produced upon the following described property, to wit:

Northeast quarter (NE. $\frac{1}{4}$) of section three (3);

East one-half of northeast quarter (E. $\frac{1}{2}$ of NE. $\frac{1}{4}$) of section two (2);

West one-half (W. $\frac{1}{2}$ of section one (1);

Northeast quarter (NE. $\frac{1}{4}$) of section one (1), with exception of the southeast quarter of the northeast quarter (SE. $\frac{1}{4}$ of NE. $\frac{1}{4}$).

All of the southeast quarter (SE. $\frac{1}{4}$) of section one (1) with exception of northwest quarter of southeast quarter (NW. $\frac{1}{4}$ of SE. $\frac{1}{4}$);

Section eleven (11);

All in township thirty-one (31) south, range twenty-two (22) east, M. D. B. & M.

Applicant has also procured provisional agreements with several other producers, particularly in the Lost Hills and Belridge districts, under which applicant will purchase the surplus gas on their properties. The gas purchased and to be distributed by the applicant for field use is in general surplus gas produced in connection with the production of oil and is otherwise subject to waste, and therefore the use will be beneficial in the conservation of oil for other uses.

As a means of conveying this gas applicant contemplates the construction of gas transmission and distribution lines as follows:

A steel pipe-line of welded joints, part six inch, part eight inch and part ten inch diameter, commencing in section three (3), township thirty-one (31) south, range twenty-two (22) east, running in a general northwesterly direction through township thirty (30) south, range twenty-two (22) east, through townships twenty-nine and thirty (29-30) south, range twenty-one (21) east, through township twenty-eight (28) south, ranges twenty and twenty-one (20-21) east, and through township twenty-seven (27) south, ranges twenty and twenty-one (20-21) east, and township twenty-six (26) south, ranges twenty and twenty-one (20-21) east, M. D. B. & M.

Applicant has made only preliminary estimates of the cost of installing its system and of the available market for its commodity. However, applicant concludes as a result of such investigation that the substantial value of natural gas, as determined by the field price of crude oil, will permit it to charge rates which will yield a fair return on its investment. This has been the experience of other companies in other districts.

Applicant proposes to finance the construction of this plant through the sale of common stock.

There is no other public utility supplying gas in this territory and it appears that public convenience and necessity will be served by the activities contemplated by applicant. We are of the opinion that this application should be granted.

ORDER.

A public hearing having been held in this matter, the Railroad Commission hereby declares that hereafter, upon application of Producers Gas and Fuel Company, made after said company has obtained the franchises from the county of Kern and the board of trustees of the city of McKittrick, which franchises are described in the foregoing opinion, it will, under such rules and regulations as the Railroad Commission may prescribe, issue a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges granted in said franchises, upon such terms and conditions as the Railroad Commission may at that time designate.

Dated at San Francisco, California, this twelfth day of June, 1917.

DECISION No. 4387.

IN THE MATTER OF THE APPLICATION OF J. L. CURTIS FOR PERMISSION TO INCREASE RATES CHARGED FOR WATER SUPPLIED BY HIM TO VARIOUS CONSUMERS IN THE TOWN OF SALIDA.

Application No. 2823.

Decided June 12, 1917.

Applicant applies for permission to increase rates for water service and it appearing that increases in the flat rates at present in effect are not justified but that owing to wastefulness in the use of water, the establishment of a schedule of meter rates is advisable, following schedule is established to become effective within thirty days: First 2,000 cubic feet, 15 cents per 100; next 8,000 cubic feet, 10 cents per 100; over 10,000 cubic feet, 5 cents per 100. Monthly minimum, residences \$1.25, all other uses, \$1.50.

Brown & Hindman, for Petitioner.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon the above application to increase rates for service of domestic water to the inhabitants of Salida, Stanislaus County.

Applicant's plant serves nineteen households, four business houses, one hotel, clubhouse, school and a rooming house and living quarters on applicant's property, where he also keeps a number of domestic animals. His present monthly flat rates are \$1.50 for residences, \$3.00 for hotels and \$2.50 for the cheese factory. These rates he asks leave to increase to \$2.00 per month for residences and stores, \$5.00 per month for the cheese factory, \$3.50 per month for the hotel and a monthly lawn and garden rate during the irrigating season, based on an area of 250 square feet.

The principal controversy at the hearing arose over the amount of water used by the plant of Carpenter Cheese Company, said to be the largest in the world, and what its water rate should be.

The hearing also developed considerable complaint as to the service. It appears that water is frequently turned off from the entire system for the purpose of making repairs, but that the system is so arranged that repairs can be made by turning off only certain portions of the system. There was also complaint that the tanks become empty, most often in the early morning hours, apparently because some careless patron lets the water run all night. At times the tanks run over because the pump is not stopped in time. Most of the complaints can be eliminated by the use of an automatic device for starting and stopping the pump and by turning off water in only the part of the system undergoing repair.

Applicant's pumping plant and tankhouse are on a parcel of land 120 by 160 feet, used also as the site of a rooming house and warehouse. The tankhouse contains living rooms. This property entire cost \$6,000.00 three years since. The plant was installed about 1909, except for the present motor, appraised by applicant at \$380.00, added about 1912.

Applicant submits an appraisal of the property totaling \$6,874.40. The actual cost of the property is not available.

The plant was inspected by Mr. James Armstrong, one of the commission's assistant hydraulic engineers, under the stipulation that his report might be submitted in evidence subsequent to the hearing. He estimates the depreciated cost of well, pump, motor, distributing system and two 15,000-gallon tanks, and excluding real estate and pump house, at \$3,256.00, using average prices, and annual depreciation by straight line at \$166.00 per year. The annual gross revenue is about \$456.00 without charge for applicant's rooming house and stock and the quarters in the tankhouse. The power bills average about \$200.00 per year. Applicant asks an allowance of \$15.00 per month for time devoted to the plant. Detail of other operating expenses was not supplied.

Applicant's difficulty seems to arise from the fact that he pays a definite rate for power used in pumping water, but is not equipped to restrain unnecessary use by consumers.

The most equitable distribution of charges between users and between users and the utility is by measurement of the supply delivered.

We therefore authorize a meter rate, the present flat rates to remain in force until meters are installed, which may be at the option of either applicant or his consumers.

Applicant makes the point that he is not operating a public utility and the commission therefore has no jurisdiction. We find that he is and for some time has been operating a public utility as defined by the Public Utilities Act and chapter 80 of the laws of 1913 and as interpreted by the commission and the supreme court in numerous similar cases.

ORDER.

J. L. Curtis having applied to the Railroad Commission for an order authorizing an increase in rates charged by him for water sold in Salida, Stanislaus County, and a public hearing having been held and sufficient showing not having been made to justify a change in the present flat rates of applicant, the application to increase said flat rates is hereby denied.

The Railroad Commission hereby finds as a fact that the rates herein established for metered service are just and reasonable rates to be charged by J. L. Curtis in Salida and basing its order on the foregoing

findings of fact and on the findings of fact which are contained in the opinion which precedes this order,

It is hereby ordered that J. L. Curtis be and he is hereby authorized to file with the Railroad Commission within thirty days the following schedule of alternative rates to be charged by him for water served the inhabitants of Salida and vicinity:

First 2,000 cubic feet at 15 cents per 100 cubic feet.

Next 8,000 cubic feet at 10 cents per 100 cubic feet.

All water used in excess of 10,000 cubic feet at 5 cents per 100 cubic feet.

Monthly minimum bill for residences and domestic use, \$1.25.

Monthly minimum bill for all other use, \$1.50.

Dated at San Francisco, California, this twelfth day of June, 1917.

DECISION No. 4388.

IN THE MATTER OF THE APPLICATION OF NAPA VALLEY ELECTRIC COMPANY TO ISSUE BONDS, STOCK AND PROMISSORY NOTES.

Application No. 2898.

Decided June 12, 1917.

Applicant authorized to issue \$13,000.00 face value of 6 per cent bonds and its one-year promissory note in the principal sum of \$9,000.00, such bonds and note to be issued at not less than their face value. Of the bonds, \$5,500.00 to be issued in lieu of a like face value issued without authorization, the balance for additions and betterments. The notes to be issued in exchange for notes now outstanding.

A utility will not be authorized to issue securities for the purposes of purchasing the property of another utility when such other utility is not a party to the proceedings.

Milton T. U'Ren, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

On October 14, 1913, the Railroad Commission issued its order (Vol. 3, Opinions and Orders of the Railroad Commission of California, p. 739) authorizing Napa Valley Electric Company to issue, subject to certain conditions, on or before October 1, 1914, \$15,300.00 par value of stock, \$20,500.00 face value of 6 per cent bonds and three notes in the total sum of \$5,000.00.

The reports filed with the commission show that applicant prior to October 1, 1914, issued \$5,000.00 of bonds and \$8,800.00 of stock. It has also issued one note for \$5,000.00 instead of three notes for the total sum of \$5,000.00, as directed by the order of the commission.

Since October 1, 1914, applicant has issued \$5,500.00 of bonds, renewed the \$5,000.00 notes and issued, without authority from the commission, additional notes in the sum of \$4,000.00.

D. L. Beard, president of Napa Valley Electric Company, testified that the issue of the bonds and notes was through inadvertence and not through any desire to evade the terms of the Public Utilities Act or the commission's orders. He testified further that the funds obtained through the issue of bonds and notes were used for proper capital purposes.

In effect this is an application for authority to issue \$6,500.00 par value of stock, \$15,500.00 face value of bonds and \$9,000.00 face value of notes. By Decision No. 1011, dated October 14, 1913, applicant was authorized to use \$2,500.00 of the proceeds of bonds and \$6,500.00 of stock to purchase properties of Calistoga Electric Company. The Calistoga company was not a party to that proceeding and it is now resisting in the courts the attempt of Napa Valley Electric Company to acquire these properties. Furthermore, there is pending before the commission an application of Calistoga Electric Company to sell these properties to California Telephone and Light Company.

I recommend that the applicant be authorized to issue the bonds and notes, the proceeds from which are to be used for purposes other than the acquisition of the properties of the Calistoga Electric Company, and that that part of the application, which asks for authority to issue bonds and stock to be used to acquire properties of the Calistoga Electric Company, be denied without prejudice.

Herewith is form of order:

ORDER.

Napa Valley Electric Company having applied to this commission for authority to issue stock, bonds and notes as set forth in the foregoing opinion,

And a public hearing having been held and it appearing to the commission that this application should be granted to the extent hereinafter set forth and that the money, property or labor to be procured or paid for by the issue of the bonds and notes herein authorized to be issued is reasonably required for the purposes hereinafter set forth, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Napa Valley Electric Company be and it is hereby authorized to issue \$13,000.00 face value of 6 per cent bonds due and payable January 1, 1931.

It is hereby further ordered that Napa Valley Electric Company be and it is hereby authorized to issue its one-year promissory notes in the aggregate principal sum of \$9,000.00.

It is hereby further ordered that the application of Napa Valley Electric Company, in so far as it relates to the issue of \$2,500.00 face value of bonds and \$6,500.00 par value of stock, to acquire the properties of Calistoga Electric Company be and the same is hereby denied without prejudice.

The authority hereby granted to issue bonds and notes is granted upon the following conditions and not otherwise:

1. The bonds and notes hereby authorized to be issued shall be issued for not less than the face value thereof.

2. Bonds in the sum of \$5,500.00 shall be issued in exchange for and upon cancellation of a like amount of bonds heretofore issued without authority from the commission.

3. Bonds in the sum of \$7,500.00 may be issued to pay for extensions, additions and betterments to applicant's system, provided that prior to the expenditure of any portion of the proceeds, applicant shall have filed with the commission a statement showing in detail the purposes for which the same are to be expended.

4. The \$9,000.00 face value of notes may be issued in exchange for and upon the cancellation of the following promissory notes heretofore issued:

Payee	Amount	Rate	Date	Maturity
Bank of St. Helena.....	\$1,000	7%	12/22/16	12/22/17
Carver National Bank.....	2,000	7%	11/19/16	11/19/17
Carver National Bank.....	1,000	7%	10/20/16	10/20/17
Bank of St. Helena.....	5,000	7%	11/16/16	11/16/17

5. Applicant may, if it so desires, issue notes for a period of less than one year and refund said notes, from time to time, with new notes, provided that the combined terms of the notes hereby authorized and those issued in refunding thereof, shall not exceed one year.

6. Napa Valley Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds and notes hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said bonds and notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted to issue bonds and notes is contingent upon the payment of the fee prescribed in section 57 of the Public Utilities Act.

8. The authority herein granted shall apply only to such bonds and notes as shall have been issued on or before May 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of June, 1917.

Decision No. 4389, grade crossing; not printed. See end of volume.

DECISION No. 4390.

IN THE MATTER OF THE APPLICATION OF THE ELK GROVE MUTUAL
TELEPHONE ASSOCIATION FOR AN ORDER FIXING RATES.

Application No. 2910.

Decided June 13, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Applicant in the above-entitled proceeding having on June 11, 1917, requested dismissal of this proceeding,

It is hereby ordered that the same be and it is hereby dismissed.

Dated at San Francisco, California, this thirteenth day of June, 1917.

DECISION No. 4391.

CHARLES E. SUMNER AND JOHN A. MAY, DOING BUSINESS UNDER
THE FIRM NAME AND STYLE OF SUMNER & MAY,

vs.

SAN DIEGO HOME TELEPHONE COMPANY.

Case No. 1050.

Decided June 14, 1917.

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1. A telephone utility employing a solicitor to secure new subscribers, which solicitor, with the knowledge of the company's officials agrees with such new subscribers to waive any or all of the rates or charges provided for under the rates, rules and regulations of the utility on file with the Railroad Commission, is in effect granting a preferential or discriminatory rate disadvantageous to other subscribers who are obliged to pay the regular rates for the service they receive.
 2. Defendant required to henceforth discontinue the practices of waiving any of its established charges and to collect from all of its subscribers the rates for their respective classes of service as set forth in schedules on file with this commission.

Chas. E. Sumner and John A. May, for Complainants.

Sweet, Stearns & Forward, by A. H. Sweet, for Defendant.

THELEN, *Commissioner*.

OPINION.

Complainants are a copartnership engaged in the practice of law in the city of San Diego. Defendant is a corporation engaged in the local exchange telephone business in the city of San Diego and adjacent communities in San Diego County, California.

The complaint alleges, in effect, that for several months defendant has been furnishing free telephone service to many of its patrons and that in the case of such patrons, as well as many others, defendant has been waiving the installation deposit of \$3.50 provided for in Rule 14 of defendant's rules and regulations on file with the Railroad Commission. The answer denies these allegations.

Rule 14 of defendant's rules and regulations as filed with the Railroad Commission on January 31, 1916, reads as follows:

"Rule 14. A charge of \$3.50 shall be made to all applicants for establishment of service, provided that no charge shall be made applicants who sign for service to be rendered by the use of telephone instruments as then in place.

"If a charge of \$3.50 has been made for the establishment of service, this amount without interest shall be returned to the subscriber in equal monthly installments, such installments to be equal to the monthly rental charged for the service so established, the first installment to be returned within forty-five days from the date of the commencement of the service; provided, if the subscriber discontinues the service at the same address prior to the return of the last installment, then the company shall retain the unreturned portion of such charge; provided further, that the amount of such charge shall in any event be returned to the subscriber at the expiration of twelve months continuous service at the same address.

"A charge of \$1.00 will be made for restoration of service when service has been temporarily disconnected on account of non-payment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible, except a change in class of service or location of facilities.

"1. Supersedures.

"A superseding subscriber shall be subrogated to the rights of the subscriber superseded.

"2. Change in Class of Service, Facilities, or Change in Location of Instrument.

"Any superseding subscriber requiring a change in class of service, facilities or change in location of instrument, is subject to the authorized charges for such changes. Any subscriber requiring a change of location (inside move) is subject to the authorized charges for such changes at any time such changes are made.

"3. Outside Moving Charges.

"The application of this revised Rule 14 nullifies the present outside moving charge, which is hereby abolished, except in cases of private branch exchanges, which charges are to be made in accordance with the established rate schedules at any time such moves are made."

The testimony, in so far as material, shows substantially as follows: that defendant is engaged in the local exchange telephone business in the city of San Diego and adjacent communities, largely in competition with The Pacific Telephone and Telegraph Company; that on or about November 1, 1916, defendant employed a woman solicitor at a salary of \$80.00 per month, to which salary was to be added a commission of \$4.50 for each new subscriber, for the purpose of securing new subscribers for defendant; that the solicitor's method of securing new subscribers for defendant was to go to a prospective subscriber and to make an arrangement under which the prospective subscriber might have a telephone on defendant's system installed free of charge and retained rent free until the solicitor should have secured as patrons of the defendant such friends of such prospective subscriber as the subscriber might designate; that the solicitor herself paid to defendant the installation fee of \$3.50 in the case of each subscriber and also, in most instances, the monthly telephone rental to the date of the hearing herein; that under this arrangement the solicitor secured over twenty subscribers to defendant's system and that approximately twenty such subscribers are still receiving service free, the monthly rental being paid by the solicitor to the defendant; that a number of the responsible officials of the defendant knew of this arrangement and of the steps which were being taken by the solicitor thereunder, but that the defendant permitted the arrangement to continue until about three months ago, subsequent to the filing of the complaint herein, when the defendant ordered the solicitor to discontinue the practice for the future.

Complainants aver that the arrangement hereinbefore set forth constitutes a discrimination against them and other subscribers of defendant who have paid the installation charge of \$3.50 set forth in defendant's Rule 14, and who also pay each month the telephone rental applicable to their particular class of telephone service as prescribed by defendant's rates on file with the Railroad Commission.

I am satisfied from the testimony herein that the arrangement hereinbefore set forth was clearly a device employed by the defendant and its solicitor for the purpose of securing new subscribers who would not be obliged to pay the installation charge of \$3.50 prescribed by defendant's rules and regulations and who also, during at least a number of months, would escape the payment of defendant's established local

exchange telephone rates. I find as a fact that this arrangement constituted a preference or advantage to the subscribers who secured the benefit of the arrangement and a prejudice or disadvantage to the other subscribers of defendant who paid the installation fee and the rates prescribed in defendant's rules and regulations and rate schedules, and hence violated section 19 of the Public Utilities Act, which reads as follows:

"No public utility shall, as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service. The commission shall have the power to determine any question of fact arising under this section."

All or practically all the persons who took telephone service from defendant under the arrangement hereinbefore set forth have now been subscribers of defendant for such a period of time that the installation charge of \$3.50 would have been returned to them if they had originally paid the charge. These persons, however, are still receiving telephone service without payment by them of the regular monthly rate prescribed by defendant's rate schedule. These persons should henceforth pay the established rates which are being paid by all other subscribers of defendant who are receiving the same class of telephone service.

The parties did not seek competent advice and acted in apparent ignorance of the provisions of the Public Utilities Act. As hereinbefore stated, defendant discontinued the objectionable practice some three months ago.

I submit the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, the proceeding having been submitted and being now ready for decision, the Railroad Commission finds as a fact that the practices described in the opinion which precedes this order constitute a preference or advantage to the subscribers of defendant who received the benefit thereof and subjected to prejudice and disadvantage the other subscribers of defendant who paid the regularly established installation charge and the established rates of defendant. Basing its order on the foregoing finding of fact and on the other findings of fact which are contained in the opinion which precedes this order,

It is hereby ordered that defendant henceforth cease and desist from the practices set forth in the opinion which precedes this order and that henceforth defendant charge and collect from all its subscribers

the rates for their respective classes of service set forth in defendant's rate schedule on file with the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4392.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE CREATION OF A TEN-YEAR SIX PER CENT NOTE INDEBTEDNESS. THE SECURING THE SAME BY TRUST INDENTURE AND THE ISSUE OF SAID NOTES OF THE PAR VALUE OF ONE MILLION FIVE HUNDRED SIXTY-FOUR THOUSAND DOLLARS.

Application No. 2711.

Decided June 14, 1917.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the third paragraph in section 3 of the order of March 16, 1917, in the above-entitled proceeding now reading:

“To reimburse applicant's treasury, said sum to be expended only upon authority from this commission under a supplemental order, \$112,380.00.”

be and the same is hereby changed to read as follows:

“To reimburse applicant's treasury, \$116,993.14.”

It is further ordered that the fourth paragraph in section 3 of said order now reading:

“To pay for estimated improvements to system to be made during the year ending November 30, 1917, as set forth in the foregoing opinion, \$315,640.00.”

be and the same is hereby changed to read as follows:

“To pay for estimated improvements to system to be made during the year ending November 30, 1917, as set forth in the foregoing opinion, \$312,474.86.”

It is further ordered that in all other respects said order of March 16, 1917, shall remain in full force and effect.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4393.
IN THE MATTER OF THE APPLICATION OF MRS. GRIGSBY GARDNER
FOR RELIEF FROM WATER SERVICE.

Application No. 2287.

Decided June 14, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Applicant in the above-entitled matter having filed with this commission its request in writing that the above-entitled matter be dismissed,

It is hereby ordered that the application herein be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4394.
IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND SOUTH
EASTERN RAILWAY COMPANY FOR AN ORDER EXTENDING TIME
FOR COMPLIANCE WITH CHAPTER 499, LAWS OF 1911, AS
AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2435.

Decided June 14, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the time within which the San Diego and South Eastern Railway Company shall reconstruct its existing system so as to comply completely with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, is hereby extended to and including June 30, 1919, on condition:

(1) That at least one-half of the reconstruction work necessary to be done shall be completed on or before June 30, 1918, and the entire work on or before June 30, 1919.

(2) At the time herein directed, petitioner shall file with the Railroad Commission, on forms to be supplied by the Railroad Commission, progress reports showing, in such detail as will be prescribed by the Railroad Commission, the extent to which the necessary reconstruction work has been performed during the period covered by the report, and also the extent to which reconstruction work remains to be done in

order that the property will comply with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915.

The first report under this order shall cover the period ending June 30, 1917, and shall be filed with the Railroad Commission within fifteen days subsequent thereto. Succeeding reports shall cover each succeeding six months' period, and shall be filed on or before the expiration of fifteen days after the termination of such succeeding period of six months.

This order supersedes the order heretofore made in this proceeding on September 26, 1916.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4395.

IN THE MATTER OF THE APPLICATION OF THE LASSEN ELECTRIC COMPANY FOR AN ORDER EXTENDING THE TIME FOR COMPLIANCE WITH CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2319.

Decided June 14, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the time within which the Lassen Electric Company shall reconstruct its existing system so as to comply fully with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, is hereby extended to and including June 30, 1918, on condition that, at the time herein directed, the petitioner shall file with the Railroad Commission, on forms to be supplied by the Railroad Commission, progress reports showing such detail as will be prescribed by the Railroad Commission the extent to which the necessary reconstruction work has been performed during the period covered by the report, and also the extent to which the reconstruction work remains to be done, in order that the property will comply with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915.

The first report under this order shall cover the period ending June 30, 1917, and shall be filed with the Railroad Commission within fifteen days subsequent thereto. Succeeding reports shall cover each succeeding six months' period, and shall be filed on or before the

expiration of fifteen days after the termination of each such succeeding period of six months.

This order supersedes the order heretofore made in this proceeding on September 30, 1916.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4396.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING
THE ISSUE OF BONDS.

Application No. 2837.

Decided June 11, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that Midland Counties Public Service Corporation has filed herein, in accordance with paragraph 4 of the order of June 2, 1917, in the above-entitled proceeding, a stipulation, duly approved by its board of directors, agreeing that on or before June 21, 1918, the company will levy upon its stockholders an assessment or assessments in an amount aggregating at least \$200,000.00, said assessment or assessments to be levied for the purpose of paying the floating indebtedness of the company existing at the time or times when said assessments shall be paid into the treasury of the company, which stipulation is in form satisfactory to the Railroad Commission and is hereby approved.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4397.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC
RAILWAY COMPANY FOR AN ORDER EXTENDING TIME FOR
COMPLIANCE WITH CHAPTER 499, LAWS OF 1911, AS AMENDED
BY CHAPTER 600, LAWS OF 1915.

Application No. 2434.

Decided June 14, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the time within which the San Diego Electric Railway Company shall reconstruct its existing system so as

to comply completely with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, is hereby extended to and including June 30, 1919, on condition:

(1) That at least one-half of the reconstruction work necessary to be done shall be completed on or before June 30, 1918, and the entire work on or before June 30, 1919.

(2) At the time herein directed petitioner shall file with the Railroad Commission, on forms to be supplied by the Railroad Commission, progress reports showing, in such detail as will be prescribed by the Railroad Commission, the extent to which the necessary reconstruction work has been performed during the period covered by the report, and also the extent to which reconstruction work remains to be done in order that the property will comply with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915.

The first report under this order shall cover the period ending June 30, 1917, and shall be filed with the Railroad Commission within fifteen days subsequent thereto. Succeeding reports shall cover each succeeding six months' period, and shall be filed on or before the expiration of fifteen days after the termination of such succeeding period of six months.

This order supersedes the order heretofore made in this proceeding on September 26, 1916.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4398.

IN THE MATTER OF THE APPLICATION OF DEL NORTE PEOPLES
TELEPHONE COMPANY FOR CONSENT TO RENEWAL OF A
CERTAIN NOTE.

Application No. 2959.

Decided June 14, 1917

Applicant authorized to issue its one-year $8\frac{1}{2}$ per cent note in the principal sum of \$900.00 and to execute a mortgage securing the same, such note to be issued for the purposes of refunding a note of a like face value now due.

BY THE COMMISSION.

OPINION.

In this application Del Norte Peoples Telephone Company asks authority to issue a renewal note in the sum of \$900.00 and to secure said note by the execution of a chattel mortgage in substantially the same form as the chattel mortgage attached to Application No. 1771 and marked Exhibit "A."

Applicant also asks authority to refund the \$900.00 note to be issued, if this application is granted, by the issue of nine \$100.00 6 per cent three-year notes and secure the payment thereof by the deposit under an escrow agreement of 2,057½ shares of its unissued capital stock.

Applicant reports that it has an authorized stock issue of \$10,000.00, divided into 10,000 shares of the par value of \$1.00 per share. Stock in the amount of \$7,942.50 is outstanding. The commission does not look with favor upon the pledging of stock as proposed by applicant herein. We believe that the issue of the nine \$100.00 three-year 6 per cent notes and the pledging of stock to secure the payment thereof should be held in abeyance and applicant given an opportunity to make some other arrangement to secure the payment of the notes. When the matter of security is finally arranged to the satisfaction of the commission, it will issue a supplemental order granting such authority as it may deem advisable.

ORDER.

Del Norte Peoples Telephone Company having applied to this commission for authority to issue a \$900.00 note and execute a chattel mortgage to secure the payment of the note and refund said \$900.00 note by the issue of nine \$100.00 notes and secure the payment of said notes by the pledge of stock as set forth in the foregoing opinion, and a hearing having been held, and it appearing to this commission that the money to be procured by such issue is reasonably required for the purpose specified in the order,

It is hereby ordered that Del Norte Peoples Telephone Company be given and hereby is given authority to issue its one year 8½ per cent note of the principal sum of \$900.00 in renewal of a promissory note for the same amount now outstanding.

It is hereby further ordered that Del Norte Peoples Telephone Company be given and hereby is given authority to execute a chattel mortgage to secure the payment of the note hereby authorized to be issued, said chattel mortgage to be substantially in the same form as the chattel mortgage attached to Application No. 1771 and marked Exhibit "A."

The authority herein given is given upon the following conditions and not otherwise:

1. Applicant shall report to this commission the name of the payee, the date of issue, the date of maturity and rate of interest, the face value of the note and the purposes for which the proceeds were used, within thirty days after the issue of the note hereby authorized.
2. Applicant shall file with this commission a copy of the chattel mortgage hereby authorized to be executed within thirty days after its execution.

3. Applicant may issue its note for the sum of \$900.00 for a term less than one year and refund said note by the issue of renewal notes, provided that the term for which the note was originally issued plus the term of the renewal notes does not exceed the period of one year.

4. The authority herein given shall apply only to such notes as may be issued on or before March 30, 1918.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4399.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE OF THE RAILROAD COMMISSION THAT THE PRESENT AND FUTURE PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION OF AN ELECTRICAL LINE, PLANT AND SYSTEM IN THE CITY OF BLYTHE AND VICINITY.

Application No. 2835.

Decided June 11, 1917.

A utility, though it has secured a blanket franchise from a county, has no valid franchise within the incorporate limits of a municipality irrespective of the fact that such municipality has been incorporated subsequent to the date the county franchise was secured, when it has not exercised rights under the franchise in the territory in which the municipality is located.

Applicant granted a certificate permitting the exercise of rights under a franchise secured from the county of Riverside authorizing the construction of electrical transmission and distributing lines, in unincorporated territory in Palo Verde Valley. It is further provided that when applicant shall have obtained a franchise from the city of Blythe a certificate will be issued permitting the exercise of rights thereunder.

Dixon, Potter & Jones, by I. B. Potter, for Applicant.

A. D. Hitchcock, city attorney, for City of Blythe.

James O. Phillips, for Floyd Brown.

BY THE COMMISSION.

OPINION.

In this application, filed with the Railroad Commission April 9, 1917, The Southern Sierras Power Company requests certificates that public convenience and necessity require the construction and operation of an electric plant in the city of Blythe and vicinity and the exercise of rights and privileges pursuant to a franchise granted to applicant by the county of Riverside.

A hearing in this matter was held before Examiner Encell at Blythe on May 24, 1917.

Floyd Brown of Blythe filed application (2817) with this commission on March 26, 1917, for similar permission to install and operate an

electric light plant in Blythe and vicinity. Mr. Brown had obtained a franchise from the county of Riverside to construct and operate an electric system in the territory now comprising Blythe and vicinity on April 21, 1915. At the hearing James O. Phillips, attorney for Mr. Brown, stated that it was Mr. Brown's belief that The Southern Sierras Power Company was better fitted to serve the needs of the city of Blythe than he and that he was willing to withdraw his application and any opposition to that company serving, provided applicant would pay him the sum of five hundred (500) dollars. This amount he stated had been expended by him in obtaining a franchise and preliminary organization and in obtaining options on machinery. The Southern Sierras Power Company offered to pay Mr. Brown any sum up to five hundred (500) dollars which the Railroad Commission would allow it to capitalize. This question does not appear to be an issue in The Southern Sierras Power Company's application. In any event, this commission would not look with favor on any such capitalization.

The city of Blythe, which is located in the Palo Verde Valley near the eastern limits of Riverside County, was incorporated in July, 1916, as a city of the sixth class. The population at present is estimated at twelve hundred. The valley is rapidly developing into a rich alfalfa and cotton raising district, water for irrigation being obtained from the Colorado River. The city of Blythe gives prospects of steady and rapid growth in population and a rapid development along industrial lines. In August of 1916 the California Southern Railway completed its line connecting Blythe with the Santa Fe at Blythe Junction, and since that time a much more rapid growth has occurred than previously.

During the past year applicant has made investigation to determine the advisability of constructing an electric system in Blythe. Following the increased growth subsequent to the completion of the railroad, the company has seen fit to authorize the construction of a local plant.

The transmission lines of applicant and its associate companies are approximately ninety miles from Blythe and no business is at present to be obtained which would justify extending the transmission lines to Blythe, although mining activities may later develop in the intervening territory sufficient to justify this extension.

Applicant plans the installation of a local generating plant of 75-kilowatt capacity to meet the immediate requirements. At the time of the hearing distribution lines had been constructed to serve practically the entire town, and the engine was on the cars at Blythe. Mr. E. B. Criddle, general agent for applicant, estimated that service could be rendered within three weeks to a month. Applicant had obtained request from 72 prospective customers and it is estimated the revenue for the first year will be from \$3,000.00 to \$5,000.00. At date of hearing there had been actually expended ten thousand two hundred

(10,200) dollars and there was authorized an expenditure of twenty thousand (20,000) dollars to serve Blythe and vicinity.

The actual rates to be charged for service in Blythe have not been definitely determined upon except that the top rate for lighting will be 12 cents per kilowatt hour and the minimum one dollar and 50/100 (\$1.50) per month for lighting and two dollars and 50/100 (\$2.50) for cooking. Both lighting and power rates will be block schedules.

The company hopes to secure sufficient power business to justify giving a 24-hour service, though at the start only lighting service may be supplied, although it is the aim to supply continuous service. To make it a remunerative project, applicant will have to intensively develop the territory.

A representative of the city of Blythe urged at the hearing that The Southern Sierras Power Company be granted the right to serve.

Applicant obtained a blanket franchise under the Broughton Act from the county of Riverside by Ordinance No. 108, granted the seven-teenth day of July, 1911, for the construction and operation of an electric system. Under the requirements of the act work had to be completed in three years, or by July 17, 1914. Applicant contends that the intent of the three-year requirement only applied to railroads. However, applicant obtained a second franchise from the county of Riverside by Ordinance No. 127 on September 1, 1916. No certificate of the commission to exercise the latter franchise has been obtained, which is required in accordance with section 50 of the Public Utilities Act. The later franchise does not contain the three-year requirement.

The city of Blythe was incorporated in July, 1916, so that the latter franchise does not apply to the territory included in the incorporated limits. Applicant had not exercised the franchise originally obtained in 1911 in that part of the county known as Palo Verde Valley; in fact, at present its nearest lines are located in the Coachella and Imperial valleys, which are separated by natural boundaries from Palo Verde Valley and are approximately fifty or more miles from Blythe. Applicant can not reasonably contend that it had exercised its franchise in eastern Riverside County.

It is our opinion, therefore, that The Southern Sierras Power Company has no valid franchise within the incorporated limits of Blythe and that before final order can be made in this matter a franchise must be obtained. The right to exercise said franchise obtained by Ordinance No. 127 of the county of Riverside in so far as required to serve the unincorporated territory in Palo Verde Valley will be granted.

ORDER.

The Southern Sierras Power Company having applied to this commission for an order declaring that public convenience and necessity require and will require the construction and operation of an electric production and distribution system in the city of Blythe and surrounding territory and the exercise of the rights and privileges granted it pursuant to a certain franchise granted to it under Ordinance No. 127 by the board of supervisors of Riverside County, and a public hearing having been held and the commission being fully advised in the premises,

The Railroad Commission of the State of California hereby declares that public convenience and necessity require the construction and operation of an electric production and distribution system in the city of Blythe and surrounding territory and the service of electricity to the said city and its inhabitants.

The Railroad Commission of the State of California hereby further declares that public convenience and necessity require the exercise by The Southern Sierras Power Company of rights and privileges under a franchise granted it by the board of supervisors of the county of Riverside by Ordinance No. 127, dated July 1, 1916, in so far as necessary for The Southern Sierras Power Company to serve with electric energy the unincorporated territory in Palo Verde Valley surrounding the city of Blythe; provided, The Southern Sierras Power Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors, agreeing for itself, its successors and assigns, that they will never claim before the Railroad Commission or any other public authority any value for the rights and privileges conferred by Ordinance No. 127 of the county of Riverside, above referred to, in excess of the actual cost thereof to The Southern Sierras Power Company, which cost shall be stated in said stipulation, and shall have secured from this commission a supplemental order herein declaring that such stipulation, in form satisfactory to this commission, has been filed, and provided further:

1. That The Southern Sierras Power Company obtain and file with the Railroad Commission of the state of California a franchise for the construction and operation of its electric system in the city of Blythe.

2. Upon receipt of said franchise by the said The Southern Sierras Power Company the commission will thereafter issue its order declaring that public convenience and necessity require the exercise of the same under such conditions as it may hereafter specify.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4400.

IN THE MATTER OF THE APPLICATION OF ANDREW SORENSEN FOR
AN ORDER PERMITTING HIM TO PURCHASE ALL OUTSTANDING
SHARES AND THE BUSINESS AND PROPERTY OF EAST OAKLAND
WATER AND ELECTRIC COMPANY.

Application No. 2888.

Decided June 11, 1917.

Andrew Sorensen, owning all of the outstanding stock of the East Oakland Water and Electric Company, with the exception of 4 shares issued to qualify directors, is authorized to purchase such 4 shares and to deliver all outstanding stock to the company in exchange for its water properties.

Andrew Sorensen, in propria persona.

BY THE COMMISSION.

OPINION.

This is an application of Andrew Sorensen for authority to acquire all the outstanding shares and the business and property of East Oakland Water and Electric Company, operating in Oakland, Alameda County, California.

East Oakland Water and Electric Company did not join in the original petition, but subsequent to the hearing it notified the commission of its acquiescence therein.

A hearing in this matter was held before Examiner Encell at San Francisco on May 18, 1917.

In Decision No. 2487, dated June 14, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of the State of California, page 159), this commission authorized Mr. Sorensen to transfer his water-distributing system in East Oakland to East Oakland Water and Electric Company, a new corporation, in exchange for 6,000 shares of stock.

It now appears that Mr. Sorensen has found extremely burdensome the operation of his business through the medium of a corporation. He therefore proposes to surrender all of the outstanding stock of the corporation and to reacquire the property which he formerly owned.

At the present time all of the outstanding stock of East Oakland Water and Electric Company, amounting to seven thousand and forty-one (7,041) shares of the par value of one (1) dollar per share, is held by Mr. Sorensen, with the exception of four (4) shares which were issued for qualification of directors.

At the hearing Mr. Sorensen testified that there is no outstanding indebtedness upon the property of East Oakland Water and Electric Company.

Mr. Sorensen is also the owner of an electrical distributing system and as such he comes within the scope of section 51(b) of the Public Utilities Act, which provides that no public utility shall purchase or acquire, take or hold any part of the capital stock of any other public utility without having been authorized to do so by the commission. Certain of the stock which Mr. Sorensen now holds was acquired without permission from this commission. However, there is no evidence to show that this stock was acquired otherwise than in good faith, and as it will be canceled immediately upon the granting of this application, it does not appear necessary at this time for the commission to issue a formal order authorizing Mr. Sorensen to acquire or hold this stock.

In order that there will be no question as to Mr. Sorensen's right to acquire the 4 shares of directors' stock now outstanding, the authority will be given Mr. Sorensen to purchase said stock.

ORDER.

Andrew Sorensen having applied to this commission for authority to purchase all the outstanding shares and the business and property of East Oakland Water and Electric Company, and East Oakland Water and Electric Company having joined in said application, and a public hearing having been held and it appearing to this commission that applicant's request is reasonable and should be granted.

It is hereby ordered that Andrew Sorensen be and he is hereby authorized to purchase and hold 4 shares of stock of East Oakland Water and Electric Company now outstanding and held by directors.

It is hereby further ordered that East Oakland Water and Electric Company be and it is hereby authorized to sell, and Andrew Sorensen be and he is hereby authorized to purchase, the water system described in Exhibit "A" attached to Decision No. 2487, dated June 14, 1915, in consideration for the transfer by Andrew Sorensen to East Oakland Water and Electric Company of all the outstanding stock of said East Oakland Water and Electric Company. Said outstanding stock shall be canceled by East Oakland Water and Electric Company immediately upon its receipt.

The price at which the properties of East Oakland Water and Electric Company are hereby authorized to be transferred shall not be binding upon this commission or any other public body as representing the value of said properties for rate making or other purposes.

The authority herein granted shall apply only to such transfer of property as shall have taken place on or before September 30, 1917.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4401.

IN THE MATTER OF THE APPLICATION OF SAN MIGUEL INTERURBAN
TELEPHONE COMPANY FOR AUTHORITY TO ISSUE STOCK.

Application No. 2776.

Decided June 14, 1917.

Applicant authorized to issue 100 shares of its capital stock of the par value of \$50.00 per share, 96 shares to be issued in lieu of stock heretofore issued for proper capital purpose without authority, the balance for additions and betterments to plant.

W. A. Wilmar, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by San Miguel Interurban Telephone Company, a corporation, for an order of the Railroad Commission authorizing the issue of ninety-six (96) shares of capital stock of the par value of fifty (50) dollars per share in lieu of a like number of shares heretofore issued without authority from this commission. Applicant also asks for authority to issue four (4) shares of its capital stock for additions and betterments to its system.

A hearing in this matter was held before Examiner Encell at San Miguel on May 10, 1917, and testimony taken in support of the application.

San Miguel Interurban Telephone Company was incorporated under the laws of California during the year 1912, with an authorized capital stock issue of five thousand (5,000) dollars, divided into one hundred (100) shares of common stock of the par value of fifty (50) dollars per share. Since the date of its incorporation applicant has issued ninety-six (96) shares of stock without authority from this commission. From the testimony at the hearing it appears that applicant's failure to apply for the necessary authority was due to ignorance of the law and not from any desire to evade the terms of the Public Utilities Act.

Applicant states that all of the stock was sold at par for cash and the full amount of the proceeds used in the construction of its telephone system. Applicant further states that it has no outstanding indebtedness.

San Miguel Interurban Telephone Company operates telephone exchanges in the towns of San Miguel and Parkfield in San Luis Obispo County, with subscribers' lines extending in various directions from these exchanges, and a combination toll and subscribers' line connecting the two exchanges. At the present time it has 117 subscribers' stations connected, 96 of which are used by stockholders and 21 by renters.

The plant was originally constructed about 12 or 13 years ago. During the year 1914, a portion of the system was reconstructed at a cost of \$2,700.00, and during the year 1915, \$500.00 was expended in metallizing grounded circuits. The company's books having been destroyed by fire during the year 1915, a record of the actual original cost of the plant is not available. Applicant represents that the present value is \$4,800.00, the amount which it secured from the sale of its outstanding stock. It has not presented an inventory and appraisal of the property. An inventory and appraisal prepared by the commission's telephone and telegraph division after a field inspection of the principal portions of the system shows a reproduction cost new of approximately \$8,141.00. This figure does not include 96 telephone sets which were purchased by the company with moneys secured from the sale of stock, and which are now claimed to be the property of the stockholders. The reproduction cost, less depreciation, after making allowance for the expenditure of \$2,700.00 and \$500.00 during the years 1914 and 1915, respectively, is approximately \$4,612.00.

Although applicant is now operating as a public utility, the purpose of its original organizers was primarily to provide telephone service for themselves and it is not now, according to the testimony of Mr. Wilmar, its secretary, operating for profit. It appears also that the proceeds which were derived from the sale of its stock were all expended in establishing its system. Under the circumstances, there appears to be no reasonable objection to permitting the issuance of 96 shares of stock in lieu of the 96 shares heretofore illegally issued.

It further appears that the issue of four (4) additional shares of stock for additions and betterments may be permitted under the conditions contained in the following order:

ORDER.

San Miguel Interurban Telephone Company, a corporation, having applied to this commission for authority to issue ninety-six (96) shares of its capital stock of the par value of fifty (50) dollars per share, in lieu of ninety-six (96) shares heretofore issued without authority from this commission, and for authority to issue four (4) additional shares of stock for the purpose of constructing additions and betterments to its plant and system; and a public hearing having been held, and it appearing to this commission that the money, property or labor to be procured or paid for by such issue is reasonably required for purposes set forth in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that San Miguel Interurban Telephone Company be and it is hereby granted authority to issue one hundred (100) shares of its capital stock of the par value of fifty (50) dollars per share for the following purposes:

1. Ninety-six (96) shares of stock in exchange for and upon cancellation of an equal number of shares of stock heretofore issued without authority from this commission.

2. Four (4) shares of stock for additions and betterments to applicant's telephone system.

The authority herein granted is granted upon the following conditions and not otherwise:

1. Before four (4) shares of stock herein authorized for additions and betterments may be issued applicant shall submit a statement satisfactory to the Railroad Commission setting forth the purposes for which the proceeds derived from the sale thereof are to be used.

2. San Miguel Interurban Telephone Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds derived from the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month shall make a verified report to the commission showing the sale and disposition of the stock herein authorized to be issued, the terms and conditions of such sale and the disposition of the proceeds derived therefrom, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted applicant to issue and sell stock shall apply only to stock issued on or before May 30, 1918.

Dated at San Francisco, California, this fourteenth day of June, 1917.

DECISION No. 4402.

IN THE MATTER OF THE APPLICATION OF BEVERLY HILLS UTILITIES COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE SALE BY THE FORMER TO THE LATTER COMPANY OF A GAS DISTRIBUTING SYSTEM AND FRANCHISE, AUTHORIZING THE ISSUANCE OF PROMISSORY NOTES IN PAYMENT THEREFOR, AND GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE FRANCHISE RIGHTS.

Application No. 2834.

Decided June 15, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 4374, dated June 6, 1917, authorized, among other things, Beverly Hills Utilities Company to transfer its gas-distributing system to Southern California Gas Company; and

Whereas attached to said Decision No. 4374 and marked Exhibit No. 1 is a general description of the property to be transferred; and

Whereas applicants in the above-entitled matter request the commission to amend its order so as to specifically authorize Beverly Hills Utilities Company to assign its gas franchise, Ordinance No. 31 of the city of Beverly Hills, adopted April 2, 1917, and to quitclaim its interest in the so-called Lombard-Phillips Line to the Southern California Gas Company; and good cause appearing.

It is hereby ordered that Beverly Hills Utilities Company be, and it is hereby granted authority to assign its gas franchise, Ordinance No. 31 of the city of Beverly Hills, adopted April 2, 1917, and to quitclaim its interest in the so-called Lombard-Phillips Line to Southern California Gas Company.

It is hereby further ordered that the order found in Decision No. 4374 dated June 6, 1917, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this fifteenth day of June, 1917.

DECISION No. 4403.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR LEAVE TO ISSUE FIFTY THOUSAND
SHARES OF ITS COMMON CAPITAL STOCK.

Application No. 2743.

Decided June 16, 1917.

Applicant authorized to issue 10,000 shares of its capital stock of the par value of \$100.00 per share to be sold at not less than \$8. proceeds to be used for one of the following purposes: (1) to acquire in whole or in part \$5,000,000.00 face value of bonds of the Pacific Light and Power Corporation, (2) retire in whole or in part \$2,480,465.05 obligations of the above-named company, (3) to pay for additions and betterments to plant as hereafter authorized by the commission. Authorization heretofore issued permitting applicant to issue 50,000 shares of stock is annulled.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 4097, dated February 13, 1917, authorized Southern California Edison Company to issue at not less than \$91.50 per share 50,000 shares of its common capital stock, par value \$100.00 per share, in accordance with the terms of an underwriting agreement, dated January 20, 1917, between John B. Miller, president of Southern California Edison Company, and William P. Bonbright & Company and Gustav Ulbricht; and

Whereas applicant in its supplemental application, filed with the commission on May 29, 1917, reports that the underwriting agreement has been terminated and that no stock has been issued thereunder, and requests authority to issue at not less than \$88.00 per share, net 10,000 shares of the aforesaid 50,000 shares of its common capital stock and to use the proceeds to purchase, in whole or in part, \$5,000,000.00 face value of bonds issued by Pacific Light and Power Corporation under its mortgage and deed of trust, dated November 20, 1911, or to use said proceeds to discharge in whole or in part obligations of Pacific Light and Power Corporation in an amount not exceeding \$2,480,405.05, or to use said proceeds to pay the cost of extensions of and additions to plants, properties and equipment of applicant; and good cause appearing,

It is hereby ordered that Southern California Edison Company be granted authority and hereby is granted authority to issue at not less than \$88.00 per share 10,000 shares of its common capital stock of the par value of \$100.00 per share.

The authority herein granted is granted upon the condition that the proceeds from the sale of said 10,000 shares of capital stock be used by applicant to acquire in whole or in part \$5,000,000.00 face value of bonds issued by Pacific Light and Power Corporation under its mortgage or deed of trust, dated November 20, 1911; or to discharge in whole or in part obligations of Pacific Light and Power Corporation in an amount not exceeding \$2,480,405.05, or to pay for the cost of extensions of and additions to plants, properties and equipment, provided that before expending any portion for extensions of and additions to plants, properties and equipment, applicant shall have filed with the commission a statement showing the estimated cost of such extensions of and additions to plants, properties and equipment.

It is hereby further ordered that the order found in Decision No. 4097, dated February 13, 1917, to issue 50,000 shares of common stock, be and the same is hereby annulled.

Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The authority herein granted shall apply only to such stock as shall have been issued on or before January 1, 1918.

Dated at San Francisco, California, this sixteenth day of June, 1917.

Decisions Nos. 4404 and 4405, grade crossings; not printed. See end of volume.

DECISION No. 4406.

IN THE MATTER OF THE SERVICE OF STOCKTON TERMINAL AND
EASTERN RAILROAD COMPANY.

Case No. 1085.

Decided June 18, 1917.

Respondent, at present in the hands of a receiver, is authorized to discontinue all passenger service until further order of the commission; however, it is required to operate a daily freight service for carload shipments only, until the close of the present crop season, at which time it may apply to the commission for permission to discontinue such service should conditions warrant.

A railroad company operating an oil-burning locomotive is required to clear all dry weeds and grass from its roadbed owing to the menace by fire to adjoining property.

F. J. Dietrich, receiver, for Stockton Terminal and Eastern Railroad Company.

Thos. S. Louttit, for committee of interested bondholders.

GORDON, *Commissioner*.

OPINION.

This is a proceeding instituted on the commission's initiative under the provisions of section 37 of the Public Utilities Act to inquire into the matter of service on the Stockton Terminal and Eastern Railroad, complaints having been received that no adequate or satisfactory service was being rendered by the railroad to the communities tributary to its line. The Superior Court of San Joaquin County, on June 12, 1917, appointed a receiver for the property of the Stockton Terminal and Eastern Railroad Company, and Mr. F. J. Dietrich, the duly appointed receiver, accepted service of the commission's order instituting this investigation and personally appeared at the hearing of this case and consented that the hearing proceed. A public hearing was held at Stockton on June 14, 1917. The matter was duly submitted and is now ready for decision.

The line of the Stockton Terminal and Eastern Railroad extends from Stockton to Bellota, a distance of 18.5 miles, all in San Joaquin County. It traverses a level farming country and reaches a gravel deposit at Bellota.

Patrons of the company having complained of the irregularity of scheduled service and that published schedules were not being observed, it was found upon investigation that the company was unable to give service on account of lack of funds; that the one locomotive used in the operation of the freight service was held by the Southern Pacific Company pending settlement of a repair bill; that the gasoline motor car used in connection with the passenger and express service was inoperative and required extensive repairs; and that the only service rendered

was by a small track automobile carrying passengers and light freight at irregular intervals, but not operating in accordance with the published schedule nor in such manner that furnished dependable service for the patrons of the company.

Figures furnished by the Stockton Terminal and Eastern Railroad for the six months period ending December 31, 1916 (the last record available), indicate that the total revenue derived from operation was the sum of \$9,266.40 and the operating expenses amounted to \$13,989.33, resulting in a deficit of \$4,722.93, to which deficit should be added items of taxes in amount \$521.70, interest on funded debt in amount \$2,518.00, interest on unfunded debt in amount \$90.00, and hire of equipment in amount \$110.70, making a total deficit of \$7,963.33.

The revenue derived from passenger operation for this six months period was in amount \$1,193.85, made up of \$727.00 passenger revenue, \$384.17 mail revenue and \$82.68 express revenue. As the passenger traffic has largely been lost to this railroad and is now being cared for by automobile stages and privately-owned machines, and as the mail revenue is no longer available, other method of mail carriage being provided by the post office department, it does not appear advisable to continue passenger operation under present conditions, and I recommend that the receiver be authorized to discontinue all passenger train operation.

As regards freight operation, the communities served by this railroad are dependent upon it for the movement of their crops and at the hearing of this case ranchers and fruit growers stated that there were approximately 8,000 tons of green fruit tributary to the railroad, all of which would move during the coming crop season. Practically all this fruit is intended for shipment to canneries and if not shipped over the line of the Stockton Terminal and Eastern Railroad would have to be hauled by wagons or auto trucks to the station of Peters on the line of the Southern Pacific Company or to Stockton for shipment. This haul would increase the cost of marketing and by reason of the rough roads would materially damage the fruit and result in a further loss.

Some of the fruit shippers expressed a willingness to advance to the railroad an amount equivalent to one-half of the estimated freight charges on their shipments to insure the operation of the line for the movement of the present season's crop.

Heavy grain crops are ready for harvest and will contribute a substantial tonnage for carload movement, and several carloads of beans will offer for movement during the fall months.

It is my opinion, and I therefore recommend, that the Stockton Terminal and Eastern Railroad be required to operate a daily freight service for carload business only and continue such operation for such

period as the revenue derived therefrom shall equal the cost of operation, and that when such freight operation is not productive of sufficient revenue to defray the expense of operation the company should apply to this commission for permission to suspend operation until such time as traffic conditions shall justify its reestablishment.

The commission desires to direct the attention of the receiver of the Stockton Terminal and Eastern Railroad Company and of the patrons of the company who desire the continuance of freight service to the present condition of the track and roadbed. Weeds and grass have been permitted to grow on the track and right of way, and these are now dry and constitute a menace to adjoining property as regards fire. Before the line can be operated for freight shipments by use of an oil-burning locomotive the dry weeds and grass will require to be removed, and it is suggested that shippers and property owners adjoining the right of way of the railroad cooperate with the receiver in the matter of eliminating the fire hazard caused by the presence of the dry weeds and grass.

I suggest the following order:

ORDER.

This commission having instituted a proceeding on its own motion requiring an investigation into the matter of service on the line of the Stockton Terminal and Eastern Railroad Company, a public hearing having been held, and the matter having been duly submitted and the commission being fully advised,

It is hereby ordered that the receiver of the property of the Stockton Terminal and Eastern Railroad Company be and he hereby is authorized to discontinue the operation of all passenger train service until the further order of this commission; and

It is further ordered that a regular freight service, for carload shipments only, be established and operated daily until the close of the present crop season, and that application be made to this commission for suspension of such service when traffic conditions do not warrant its continuance.

The commission reserves the right to make such other and further orders in this proceeding as may to it appear right and proper or necessary for the public convenience.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of June, 1917.

DECISION No. 4407.

IN THE MATTER OF THE APPLICATION OF THE WESTERN UNION TELEGRAPH COMPANY FOR PERMISSION TO CLOSE ITS OFFICES AND DISCONTINUE ITS TELEGRAPH SERVICE AT MOUNT EDEN, ALAMEDA COUNTY, AND ALVISO, SANTA CLARA COUNTY, CALIFORNIA.

Application No. 2881.

Decided June 18, 1917.

Applicant authorized to discontinue service and close its office now located in the town of Mount Eden. Petition to close office at Alviso dismissed at request of applicant.

E. B. Harrington, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Western Union Telegraph Company for permission to close its offices at Mount Eden, Alameda County, and Alviso, Santa Clara County.

Public hearings were held by Examiner Westover at Mount Eden, Alameda County, and Alviso, Santa Clara County. Subsequent to such hearings applicant filed a written request for the dismissal of the application in so far as it related to its office in Alviso, Santa Clara County.

Heretofore applicant has operated its Mount Eden office in conjunction with the Southern Pacific Company, but now Southern Pacific Company proposes to change its station into a nontelegraph station and to remove the telegraph equipment therefrom, which will compel applicant either to abandon this office entirely or to run it as an independent telegraph station with a consequent very considerable increase in expense.

The evidence clearly shows that the business done by applicant at Mount Eden does not warrant the establishment and maintenance of an independent telegraph station at this point. The people who have heretofore used the service of applicant at Mount Eden will not be seriously inconvenienced by the closing of this office because applicant maintains a telegraph office at Hayward, Alameda County, which is about one mile from Mount Eden, and between these towns there is ample telephone connection over which messages may be sent.

ORDER.

Western Union Telegraph Company having applied for authority to discontinue telegraph service at Mount Eden, Alameda County, and at Alviso, Santa Clara County, and public hearings having been held, and subsequent to such hearings applicant having filed in writing with

this commission a request that the application be dismissed in so far as it related to Alviso, Santa Clara County, and it appearing that the application as to Mount Eden should be granted.

It is hereby ordered that Western Union Telegraph Company is hereby authorized to close its office at Mount Eden, Alameda County.

It is further ordered that this application in so far as it relates to Alviso, Santa Clara County, be and the same is hereby dismissed.

Dated at San Francisco, California, this eighteenth day of June, 1917.

DECISION No. 4408.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF TWO HUNDRED SIXTY-SIX THOUSAND DOLLARS AND NOTES OF THE FACE VALUE OF THIRTY-THREE THOUSAND DOLLARS.

Application No. 1731.

Decided June 18, 1917.

BY THE COMMISSION.

SEVENTEENTH SUPPLEMENTAL ORDER.

Whereas Western States Gas and Electric Company in its supplemental application filed May 31, 1917, asks authority to amend its mortgage or deed of trust, dated June 1, 1911, by executing a supplemental trust agreement, in substantially the same form as the supplemental trust agreement attached to said supplemental application and marked Exhibit No. 1; and

Whereas said supplemental trust agreement is intended only to relieve Western States Gas and Electric Company from paying any and all taxes which may be imposed by the laws of the United States, or of any state, county or municipality thereof, upon its first and refunding mortgage 5 per cent gold bonds issued after May 15, 1917, or upon the holders of such bonds by reason of such ownership thereof or upon the interest thereon and is not intended in any way to release the company from paying taxes assessed against it or its own property; and

Whereas it appears that the controlling reason for the execution of the said supplemental trust agreement at this time is to release the company from the payment of the loan tax assessed against holders and owners of bonds by the state of Pennsylvania; and

Whereas the supplemental trust agreement will apply to bonds issued prior to May 15, 1917, only if the holder thereof surrenders them to

the trustee for cancellation and shall receive in exchange therefor new bonds of the tenor and form set forth in the said supplemental trust agreement; and it appearing to the commission that this is not a matter on which a hearing is necessary,

It is hereby ordered that Western States Gas and Electric Company be granted authority and it is hereby granted authority to execute to Girard Trust Company a supplemental trust agreement substantially in the same form as the supplemental trust agreement marked Exhibit No. 1 and attached to said supplemental application filed May 29, 1917.

The approval herein given of said supplemental trust agreement is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental trust agreement as to such other legal requirements to which said supplemental trust agreement may be subject.

Dated at San Francisco, California, this eighteenth day of June, 1917.

DECISION No. 4409.

IN THE MATTER OF THE APPLICATION OF ALBERT S. VOTAW, FOR
A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2989.

Decided June 18, 1917.

BY THE COMMISSION.

ORDER.

Albert S. Votaw, having, under section 50(c) of the Public Utilities Act, applied to this commission for a certificate of public convenience and necessity preliminary to the securing of a franchise to operate a water utility in the unincorporated town of Navelencia, Fresno County, California,

It is hereby ordered that the Railroad Commission declares that it will, upon the application of Albert S. Votaw after he has secured the franchise to operate the water utility mentioned in the application herein, under such rules and regulations as the Railroad Commission may prescribe, issue a certificate declaring that public convenience and necessity require the exercise by said Albert S. Votaw of the rights and privileges granted in said franchise under such terms and conditions as the Railroad Commission may then prescribe.

Dated at San Francisco, California, this nineteenth day of June, 1917.

DECISION No. 4410.

IN THE MATTER OF THE APPLICATION OF MONTEREY COUNTY WATER COMPANY, SPRECKELS SUGAR COMPANY AND JOHN L. MATTHEWS, L. B. ULREY AND H. E. WETZEL, FOR AN ORDER AUTHORIZING THE SALE AND CONVEYANCE OF MONTEREY COUNTY WATER COMPANY'S CANAL B. AND CERTAIN OTHER PROPERTY TO JOHN L. MATTHEWS, L. B. ULREY AND H. E. WETZEL.

Application No. 2957.

Decided June 19, 1917.

Monterey County Water Company authorized to transfer a certain canal and other utility property for the sum of \$7,403.97, provided the purchasers thereof shall file a stipulation with the commission to the effect that they shall render as good and as extensive a service as heretofore given by the Monterey company.

BY THE COMMISSION.

ORDER.

In this application Monterey County Water Company and Spreckels Sugar Company, its sole stockholder, have asked authority to sell to John L. Matthews, L. B. Ulrey and H. E. Wetzel for the sum of \$7,403.97, a certain public utility canal and the rights appurtenant thereto known as "Canal B," and at present owned and operated by Monterey County Water Company, the property to be conveyed being set forth in a form of conveyance attached to the application in this proceeding and marked "Exhibit C," as follows:

1. All that certain piece or parcel of land situate, lying and being in the County of Monterey, State of California, and bounded and particularly described as follows, to wit:

The northwest quarter of the northeast quarter of Section twenty-three (23), Township nineteen (19) south, Range eight (8) East, M. D. B. & M., and also

2. That certain lot, piece or parcel of land situate, lying and being in the County of Monterey, State of California, and bounded and more particularly described as follows:

All that portion of lot one (1) of Section twenty-three (23), Township nineteen (19) South, Range eight (8) East, M. D. B. & M., which lies north of the center of the San Lorenzo Creek, and more particularly described as follows:

BEGINNING at a cedar post marked "S 1" in the fence line in the center of San Lorenzo Creek, and from which the southeast corner of said lot one (1) bears south four hundred sixty-two (462) feet distant; thence along the east line of said lot one (1) North eight hundred thirty-one (831) feet to the east line of San Lorenzo Rancho; thence along said east line of said rancho, south twenty-six (26) degrees, fifteen (15) minutes west, nine hundred seventy (970) feet distant to a cedar post marked "S 2," set in center of San Lorenzo Creek, thence up the center of said creek north eighty-five (85) degrees, no (0) minutes East, four hundred thirty (430)

feet to the place of beginning, containing four and nine hundredths (4.09) acres. Courses all true. Magnetic variation sixteen (16) degrees and ten (10) minutes East.

Excepting from the two pieces of real property hereinabove particularly described all that certain strip or parcel of land conveyed by P. W. Morse, of the City of Watsonville, County of Santa Cruz, State of California, to the County of Monterey, by a conveyance dated the 6th day of September, A. D. 1901, and recorded in the office of the County Recorder of Monterey County on the 7th day of September, A. D. 1901, at 45 minutes past 2 o'clock P.M. of said day, in volume 66 of Deeds, at page 170, of the records of Monterey County.

3. That certain irrigation canal or ditch situate in the County of Monterey, State of California, as now located and constructed, commencing from an intake or dam on the San Lorenzo river, or creek, situate on said two lots, pieces or parcels of land hereinabove particularly described, thence running in a general southwesterly direction about thirty-five hundred (3500) feet across the northwest quarter of the northeast quarter and lots one (1) and three (3) of Section twenty-three (23), Township nineteen (19) South, Range eight (8) East, M. D. B. & M., to an iron flume constructed across said San Lorenzo river, or creek; thence running across said San Lorenzo river, or creek, by said iron flume and structure and entering upon the San Lorenzo rancho near the northeast corner of said rancho, and thence running in a southwesterly direction across said San Lorenzo rancho and following in a general way along the foot of a Mesa and more particularly along the southerly side of a county road leading from Kings City, County of Monterey, State of California, to Bitterwater and commonly known as the "Bitterwater Road" to the point of intersection with the southerly side of said road, about fifteen hundred (1500) feet northeasterly from the city limits of Kings City, said Canal being about four and a half (4.5) miles long.

4. All of the right, title and interest of the party of the first part in and to that certain agreement dated November 11, 1897, by and between San Lorenzo Water Company and Frederick Burchard and Maria Burchard, his wife; together with that certain right of way and the branch ditch described in said agreement and built pursuant thereto. The obligations of the party of the first part under said agreement are hereby assumed by the parties of the second part.

5. All water rights owned and held by Monterey County Water Company upon the San Lorenzo river, or creek, in the County of San Benito and the County of Monterey, State of California, and covered

(a) By the original water filing by Wm. K. Brown, dated the 23rd day of August, 1895, and recorded in the office of the County Recorder of Monterey County, California, on the 26th day of August, 1895, in Volume "A" of Water Rights, at page 113 of the records of Monterey County, for six thousand (6,000) inches of water measured under a four (4) inch pressure, and diverted

from a point on the northeast quarter of section twenty-three (23), Township nineteen (19) South, Range eight (8) East, M. D. B. & M., and more particularly described in said Water Filing by Wm. K. Brown, reference to which is hereby made.

(b) By the Notice of Appropriation of Water by P. W. Morse, dated July 9, A. D. 1901, and recorded in the office of the County Recorder of Monterey County on the 11th day of July, A. D. 1901, at 47 minutes past 3 o'clock in Volume "A" of Water Rights, at page 191, of the records of Monterey County, for twenty-four thousand (24,000) inches measured under a four (4) inch pressure, and diverted from the San Lorenzo creek, or river, at a point on the northeast quarter of Section twenty-three (23), Township nineteen (19) South, Range eight (8) East, M. D. B. & M., and more particularly described in said Notice of Appropriation of Water by P. W. Morse, reference to which is hereby made.

And it appearing to the commission that this is not a case in which a public hearing is necessary,

It is hereby ordered that Monterey County Water Company be and it is hereby authorized to transfer to John L. Matthews, L. B. Ulrey and H. E. Wetzel for the sum of \$7,403.97 the property above described upon the following conditions, to wit:

1. The authority herein granted shall not become effective until John L. Matthews, L. B. Ulrey and H. E. Wetzel shall have filed with this commission a stipulation stating that upon receiving the title to said property they will continue to perform the public utility obligations of Monterey County Water Company in so far as said canal is concerned, and will give at least as adequate and extensive public utility service as has been furnished by said company from said canal, and that neither they, their successors nor assigns shall claim before this commission or any other public body that the consideration given for said property constitutes its value for rate-fixing purposes.

2. Within ten (10) days after the conveyance of said property has been made applicants shall file with the Railroad Commission a certified copy of the deed of conveyance.

3. The authority herein granted to transfer property shall apply only to such transfer as may be made on or before July 31, 1917.

Dated at San Francisco, California, this nineteenth day of June, 1917.

DECISION No. 4411.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS GENERAL AND REFUNDING MORTGAGE GOLD BONDS TO THE PAR VALUE OF FIVE MILLION DOLLARS AND ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF TWELVE MILLION FIVE HUNDRED THOUSAND DOLLARS, AND TO USE THE PROCEEDS FROM THE SALE OF SAID BONDS AND SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 1188.

Decided June 19, 1917.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered, on petition of Pacific Gas and Electric Company, that the fifth condition in the order of June 30, 1914, in the above-entitled proceeding (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 1383) be and the same is hereby modified to read as follows:

“5. Pacific Gas and Electric Company is hereby authorized to issue on July 1, 1916, and during the period of 24 months subsequent thereto, unless such period be hereafter extended, 1,025 shares of its first preferred capital stock in exchange for each share of its original preferred stock up to the maximum of \$10,000,000.00, par value, of said original preferred stock, to all holders of said original preferred stock who may present the same for such exchange.”

In all other respects said order of June 30, 1914, as modified by supplemental orders now in effect, shall remain in full force and effect.

Dated at San Francisco, California, this nineteenth day of June, 1917.

DECISION No. 4412.

THE CITY OF PALO ALTO

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1073.

Decided June 19, 1917.

Petition on behalf of the city of Palo Alto that the Railroad Commission compel Southern Pacific Company to remove a certain spur track crossing University avenue near its depot in said city.

1. The commission will not direct a carrier to abandon the use of a spur track when such track is the only entrance to a considerable portion of its station grounds and its abandonment would deprive the carrier of the use of such facilities.
2. The construction of crossing gates at an expenditure of approximately \$750.00 for the purposes of protecting a spur track crossing is not warranted, especially in view of the fact that there are a considerable number of other crossings in the state far more dangerous where such an expenditure would be much more justified.
3. Defendant required to stop and flag all trains over spur track crossing University avenue in city of Palo Alto. Complaint in all other respects dismissed.

Norman E. Malcolm, for City of Palo Alto.

George D. Squires, for Southern Pacific Company.

GORDON, *Commissioner*.

OPINION.

City of Palo Alto alleges in this complaint that a spur track of the Southern Pacific Company which crosses University avenue extension constitutes a menace; that it is dangerous to the safety of the public traveling on the highway; and that it adds to the congestion on the highway, and at times completely blocks travel. The Southern Pacific Company denies these allegations and a public hearing was held on May 31, 1917.

The spur track against which this complaint is directed is approximately 180 feet south of the main line track of the Southern Pacific Company, where it crosses the extension of University avenue. It lies on the southerly border of the station reservation of the Southern Pacific Company and is used principally as a storage track for cars during switching operations in and around the station grounds at Palo Alto. Witnesses for the complainant testified that at least one accident had taken place at the spur track crossing; and several witnesses testified that they had suffered delays, more or less in extent, on account of its operation.

University avenue divides the station reservation of the Southern Pacific into two parts. That portion lying west of the street is without trackage, except for the spur track in question. If the commission should order this track taken up the Southern Pacific Company would be deprived of the use of a portion of its station grounds about 800 feet long and 150 feet wide; and I am by no means convinced that the danger and delays to the public using the highway are great enough to require the commission to make an order such as the city seeks.

The crossing can, in the first place, be protected by gates at an expenditure estimated to be \$750.00. It does not seem to me, however, in view of the many main line crossings on the Southern Pacific lines in California which are absolutely without protection, that such an expenditure would be justified for a crossing used possibly three times a week and then at slow speed. I believe, for the present, that if the

Southern Pacific Company will stop all trains before crossing the street and will not proceed until proper signals have been given by a flagman employed for this purpose, or a trainman acting as a flagman, the crossing will be amply protected. As far as delays are concerned, the matter does not appear to be of great importance. Some delays, of course, are to be expected, and the railroad company can provide that they do not become excessive.

It developed at the hearing that the city of Palo Alto is making plans which will eventually lead to the separation of grades at University avenue as well as at other streets in the city. When these plans are complete they may involve the rearrangement of many tracks of the railroad company and it seems to me inadvisable, irrespective of the merits of this particular case, to take steps at this time which may possibly prove to be an embarrassment when the larger scheme is considered.

ORDER.

A public hearing having been held in this matter, and it appearing, for reasons set forth in the foregoing opinion that Southern Pacific Company should stop its trains and flag them across University avenue, but that no order should be made requiring the removal of the spur track at this time,

It is hereby ordered that Southern Pacific Company be and hereby is ordered to stop and flag all trains on this spur track across University avenue.

It is hereby further ordered that, as to other matters, this case be and the same is hereby dismissed.

Dated at San Francisco, California, this nineteenth day of June, 1917.

DECISION No. 4413.

LESLIE SALT REFINING COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 889.

Decided June 19, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the above-entitled proceedings having made written request that the complaint in said matter be dismissed,

It is hereby ordered that the complaint be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this nineteenth day of June, 1917.

Decision No. 4414, grade crossing; not printed. See end of volume.

DECISION No. 4415.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR LEAVE TO ISSUE FIFTY THOUSAND
SHARES OF ITS COMMON CAPITAL STOCK.

Application No. 2743.

Decided June 21, 1917.

Prior decisions Nos. 4097 and 4403, authorizing applicant to issue 50,000 and 10,000 shares, respectively, of its common capital stock, are annulled, and it is now authorized to issue 25,000 shares of the par value of \$100.00 per share, such stock to be sold at not less than 88, proceeds to be used for one of the following purposes: To acquire in whole or in part \$5,000,000.00 face value of bonds of Pacific Light and Power Corporation, discharge in whole or in part obligations of the latter-named company amounting to \$2,480,405.05, or to pay for proposed additions and betterments to plant, provided such expenditures are first passed upon by the commission.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas the commission by Decision No. 4403, dated June 16, 1917, authorized Southern California Edison Company to issue at not less than \$88.00 per share 10,000 shares of its common capital stock of the par value of \$100.00 per share and to use the proceeds to acquire in whole or in part \$5,000,000.00 face value of bonds issued by Pacific Light and Power Corporation under its mortgage or deed of trust, dated November 20, 1911; or to discharge in whole or in part obligations of Pacific Light and Power Corporation in an amount not exceeding \$2,480,405.05, or to pay for the cost of extensions of and additions to plants, properties and equipment; and

Whereas Southern California Edison Company in its second supplemental application in the above-entitled matter asks authority to issue 15,000 shares of its common capital stock in addition to the 10,000 shares authorized to be issued by Decision No. 4403, dated June 16, 1917, said stock to be sold for not less than \$88.00 per share net to the company and the proceeds used for the above-mentioned purposes; and

Whereas applicant reports that no stock has been issued under the authority granted by Decision No. 4403, dated June 16, 1917, and requests that the authority granted by said decision be annulled and that the commission, pursuant to this second supplemental application, authorize applicant to issue the \$1,000,000.00 of stock referred to in said Decision No. 4403, dated June 16, 1917, as well as the additional amount of \$1,500,000.00 covered by its second supplemental application; and

Whereas it appears to the commission that the money, property or labor to be procured or paid for by the issue of said stock is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern California Edison Company be granted authority and hereby is granted authority to issue at not less than \$88.00 per share net to company, 25,000 shares of its common capital stock of the par value of \$100.00 per share.

It is hereby further ordered that the order in Decision No. 4097, dated February 13, 1917, to issue 50,000 shares of common stock and the order in Decision No. 4403, dated June 16, 1917, to issue 10,000 shares of common stock be and the same is hereby annulled.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The proceeds from the sale of said 25,000 shares of common stock shall be used by applicant to acquire in whole or in part \$5,000,000.00 face value of bonds issued by Pacific Light and Power Corporation under its mortgage or deed of trust, dated November 20, 1911; or to discharge in whole or in part obligations of Pacific Light and Power Corporation in an amount not exceeding \$2,480,405.05; or to pay for the cost of extensions of and additions to plants, properties and equipment, provided that before expending any portions of the proceeds for extensions of and additions to plants, properties and equipment, applicant shall have filed with the commission a statement showing the estimated cost of such extensions of and additions to plants, properties and equipment.

2. Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply only to such stock as shall have been issued on or before January 1, 1918.

Dated at San Francisco, California, this twenty-first day of June, 1917.

DECISION No. 4416.
IN THE MATTER OF THE APPLICATION OF CHINN WAREHOUSE COM-
PANY FOR PERMISSION TO ISSUE ITS COMMON STOCK.

Application No. 2890.

Decided June 22, 1917.

Applicant authorized to issue 5,000 shares of its capital stock of the par value of \$1.00 per share, such stock to be sold so as to net its full face value, proceeds to be used for the purposes of discharging a note in the sum of \$5,000.00, due June 30, 1917.

H. P. Brown, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Chinn Warehouse Company, operating warehouses at Lemoore and Stratford, Kings County, for authority to issue 5,000 shares of its capital stock of the par value of \$1.00 per share and to use the proceeds in discharging a note in the principal sum of \$5,000.00, bearing interest at 8 per cent per annum and payable to Farmers and Merchants National Bank of Hanford.

A hearing in this matter was held before Examiner Encell at Lemoore on May 29, 1917, at which time applicant presented evidence in support of its application.

Chinn Warehouse Company was incorporated under the laws of the state of California on March 30, 1910. It has a total authorized issue of 25,000 shares of stock of the par value of \$1.00 per share of which \$20,000.00 par value is now outstanding.

During 1916 applicant issued \$2,500.00 par value of stock without authority from this commission, but this stock has since been canceled. Applicant has issued no bonds and states that its property is unencumbered.

In connection with the application herein the company has submitted a balance sheet as of January 1, 1917, as follows:

<i>Assets.</i>	
Cost of plant, buildings, land.....	\$17,500 00
Equipment	4,500 00
Notes receivable	2,792 45
Accounts receivable	22,490 77
Materials and supplies.....	48,847 36
Miscellaneous	2,805 23
<hr/>	
Total assets	\$98,935 81

Liabilities.

Capital stock	\$20,000 00
Notes payable	33,700 00
Accounts payable	17,731 26
Reserve for bad accounts.....	265 41
 Total liabilities	 71,696 67
	<hr/> \$27,239 14

A valuation of applicant's property as of May 29, 1917, has been made by the commission's engineers. A copy of this valuation was introduced at the hearing as "Railroad Commission's Exhibit Number "1." The totals as shown by said exhibit are as follows:

Reproduction cost	\$30,570 94
Reproduction cost less depreciation.....	24,680 89

Applicant is unable to definitely state that all of the proceeds from the note which it desires to pay were used for capital purposes. However, its reports on file with the commission indicate that it has expended more than \$5,000.00 of its surplus earnings for capital purposes. It is proper, therefore, to authorize applicant to issue \$5,000.00 par value of stock to reimburse its treasury, with the understanding that the proceeds will be used to pay the \$5,000.00 note due Farmers and Merchants National Bank of Hanford.

ORDER.

Chinn Warehouse Company having applied to this commission for authority to issue 5,000 shares of stock of the par value of \$1.00 per share for the purpose of paying indebtedness as hereinbefore set forth; and a hearing having been held, and it appearing to this commission that applicant's request is reasonable and should be granted to the extent hereinafter set forth, and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that Chinn Warehouse Company be and it is hereby authorized to issue 5,000 shares of its capital stock of the par value of \$1.00 per share.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be sold so as to net applicant not less than the par value of \$1.00 per share.

2. The proceeds from the sale of the stock herein authorized shall be used by applicant solely for the purpose of reimbursing its treasury for moneys expended from income, and thereafter shall be applied to the discharge of a note in the principal sum of \$5,000.00, bearing

interest at 8 per cent per annum, maturing June 30, 1917, and payable to Farmers and Merchants National Bank of Hanford.

3. Chinn Warehouse Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted applicant to issue stock shall apply only to such stock as shall have been issued on or before September 30, 1917.

Dated at San Francisco, California, this twenty-second day of June, 1917.

DECISION No. 4417.

IN THE MATTER OF THE APPLICATION OF CITY OF LOS ANGELES, BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES, SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC LIGHT AND POWER CORPORATION FOR AN ORDER APPROVING CONTRACT BETWEEN SAID PARTIES FOR THE DISTRIBUTION OF ELECTRIC ENERGY.

Application No. 2884.

Decided June 22, 1917.

A petition that the Railroad Commission approve a temporary operating agreement to be entered into between the city of Los Angeles and the Edison company and Pacific corporation, electric utilities operating in said city. The agreement provides that the city shall purchase from the companies during each month an amount of electric energy corresponding to a maximum yearly peak demand of 25,000 horsepower, at an annual load factor of at least 36 per cent, which would require that the city pay to the companies during each year for electric energy to an amount of approximately 58,814,000 kilowatt hours at the rate of 1.22 cents per kilowatt hour, a minimum annual payment of not less than \$717,530.80.

1. It is unnecessary for the commission to go into the question of the legality of contracts proposed to be entered into between a municipality and one or more utilities. Such a question is a matter to be decided by the courts.
2. The commission when authorizing the execution of an agreement entered into at arm's length between the representatives of a municipality and utilities, is called upon merely to determine whether or not there are any provisions in such agreements by reason of which the commission could justly withhold its approval thereof.

3. Agreement approved, provided that such approval shall not be taken as passing on the reasonableness of any rate now in effect or on the presence or absence of discrimination with reference to any rate in any portion of the territory affected thereby, nor as passing upon any portion of the purchasing agreement.

W. B. Mathews, for City of Los Angeles and Board of Public Service Commissioners of the City of Los Angeles.

H. H. Trowbridge, for Southern California Edison Company and Pacific Light and Power Corporation.

Paul Overton and *Herbert J. Goudge*, for Los Angeles Gas and Electric Corporation.

Herbert J. Goudge, in *propria persona*.

THELEN, EDGERTON and DEVLIN, *Commissioners*.

OPINION.

In this proceeding the city of Los Angeles, hereinafter at times referred to as the city, the Board of Public Service Commissioners of the City of Los Angeles, hereinafter at times referred to as the board of public service commissioners, the Southern California Edison Company, hereinafter at times referred to as the Edison company, and the Pacific Light and Power Corporation, hereinafter at times referred to as the Pacific corporation, ask that the Railroad Commission approve an agreement dated April 30, 1917, between the parties hereto. A copy of said agreement is attached to the petition herein as Exhibit No. 1. This agreement, hereinafter referred to as the temporary operating agreement, provides in part for the future distribution and sale of electric energy for all purposes over the electric distributing systems of the city, of the Edison company and of the Pacific corporation in the city of Los Angeles and in certain unincorporated territory adjacent to the city.

A public hearing herein was held in Los Angeles on May 4, 1917. At this hearing, evidence in support of the petition was presented by petitioners and in opposition thereto by Los Angeles Gas and Electric Corporation and Herbert J. Goudge, hereinafter together referred to as the protestants. Subsequent to the hearing, the petitioners filed additional data requested by the Railroad Commission and the protestants filed a memorandum of reasons for the denial of the petition. The proceeding is now ready for decision.

It was stipulated at the hearing that such documents as might be filed by the parties prior to the decision herein should be given appropriate exhibit numbers and considered as evidence herein. The following documents were filed by petitioners subsequent to the hearing, having been given the exhibit numbers indicated and will be considered as being in evidence in these proceedings:

Exhibit No. 10—Resolution of city council of Los Angeles, dated April 30, 1917, approving form of temporary operating agreement and authorizing its execution. Similar resolution with reference to purchase agreement.

Exhibit No. 11—Resolution of board of public service commissioners of the city of Los Angeles, dated May 1, 1917, approving form of temporary operating agreement and authorizing its execution. Similar resolution with reference to purchase agreement.

Exhibit No. 12—Letter dated May 8, 1917, from Arthur R. Kelley, valuation engineer, to Mr. R. H. Ballard, assistant general manager Southern California Edison Company, giving inventory and costs of additions to capital of Southern California Edison Company in territory herein affected, from June 30, 1915, to December 31, 1916.

Exhibit No. 13—Statement of capital investment of Pacific Light and Power Corporation in territory herein affected, showing J. G. White & Company appraisal with additions to December 31, 1916.

Exhibit No. 14—Deductions from severance damages of Southern California Edison Company.

Exhibit No. 15—Severance damages—Pacific Light and Power Corporation.

Exhibit No. 16—Los Angeles substation costs—Southern California Edison Company and Pacific Light and Power Corporation.

Exhibit No. 17—Consolidated Los Angeles city load at substations, exclusive of railways, year ending March 31, 1917.

Exhibit No. 18—Kilowatt hours, monthly maximum peak demands and monthly load factors corresponding to maximum yearly peak of 25,000 horsepower at annual load factor of 36 per cent.

Exhibit No. 19—Letter dated May 14, 1917, from Mr. H. H. Trowbridge to Railroad Commission, referring to Exhibits Nos. 12 to 18, inclusive, of petitioners and giving additional data.

Protestants oppose the granting of the petition herein on the following grounds:

1. That the temporary operating agreement violates the constitution and statutes of California and the charter of the city of Los Angeles.

2. That the fair value of the property of the Edison company and the Pacific corporation for the use of which interest is to be paid by the city is too high.

3. That the rate to be paid by the city to the Edison company and the Pacific corporation for electric energy supplied by them is too high.

4. That the minimum amount of electric energy for which the city obligates itself to pay is greater than the amount which the city will use if it operates to capacity its hydroelectric plant in San Francisco Canyon.

The subject matter of this opinion will now be considered under the following heads:

- I. Analysis of temporary operating agreement.
- II. Legality of temporary operating agreement.
- III. Fair value of companies' electric distributing system.
- IV. Rate for electric energy sold by companies to city.
- V. Minimum amount of electric energy to be paid for by city.

I. Analysis of temporary operating agreement.

The temporary operating agreement recites that the city has arranged for the purchase of the electric distributing systems of the companies situated within the city and in certain small sections of unincorporated territory contiguous thereto; that it is necessary that bonds be voted and sold by the city for the purpose of obtaining the money to pay for said electric distributing systems; that the city, as a part of its plan for establishing a municipal system for supplying itself and its inhabitants with electric energy for the purpose of light, heat and power has constructed and placed in readiness for operation a hydroelectric plant in San Francisquito Canyon, with an installed capacity of 37,500 horsepower, and proposes to construct additional hydroelectric plants and contemplates the possibility that it shall acquire the steam-electric generating plant of Los Angeles Gas and Electric Corporation, located in the city; and that the city desires to sell to consumers within the city the electric energy produced at its said plants and to that end has arranged with the companies that, pending the payment of the purchase price for said electric distributing systems and the conveyance and transfer thereof to the city, said systems shall be operated for account and benefit of the city.

The agreement then provides substantially as follows:

1. That from and after May 1, 1917, until and including July 1, 1917, subject to an extension for an additional period, the companies shall operate said distributing systems in behalf of and for the account and benefit of the city.

2. That during the life of the temporary operating agreement, the companies will take and distribute all the electric energy generated in the city's plants not distributed by the city over its own electric system and will supply from the plants of the companies such additional power as may be necessary to meet the demands of said consumers, **provided** that the quantities of electric energy to be taken and paid for from the plants of the companies monthly shall not be less than the equivalent of amounts, for the respective months of the year, corresponding to a maximum yearly peak demand of 25,000 horsepower, at an annual load factor of at least 36 per cent, and that the amounts of electric energy for the respective months of the year and the corresponding maximum

monthly peak demands and monthly load factors shall be as set forth in the temporary operating agreement.

3. That the companies shall be paid for electric energy supplied by them, based on annual load factor, as set forth in the temporary operating agreement, provided that all payments shall be based on the actual yearly load factor, if such load factor equals 36 per cent, and if less than 36 per cent, nevertheless on a yearly load factor of 36 per cent.

4. That the companies shall maintain and keep said distributing systems in good operating condition and extend and improve the same so far as may be necessary.

5. That the maintenance and extension of said distributing systems and the conduct of the business thereunder shall be subject to the supervision and approval of a board consisting of two representatives designated by the board of public service commissioners and two representatives designated by the companies, with a fifth person to be selected as arbiter in case the four can not agree, and that if the matter in dispute is deemed of sufficient importance, the board may refer the same for settlement to the Railroad Commission.

6. That the companies shall have charge and control of all matters pertaining to the operation of the distributing systems and the maintenance and extension thereof, subject to the authority of said board.

7. That the companies shall collect from consumers all moneys due for electric energy supplied and shall pay to the city daily the moneys collected less such moneys as are to be retained by the companies, as provided by the temporary operating agreement.

8. That the companies shall be entitled to retain each month out of the amounts collected by them, as compensation for the use, operation and maintenance of their distributing systems, including extensions, for the benefit of the city and for electric energy furnished by the companies, the following moneys:

(a) Interest on a sum determined as hereinafter set forth in this opinion.

(b) The actual cost incurred monthly by the companies for the operation and maintenance of the distributing systems, including taxes and licenses, but not including replacements, extensions or betterments.

(c) For electric energy supplied monthly by the companies, as set forth in the temporary operating agreement.

(d) A depreciation allowance at the rate of 3.36 per cent per annum, payable monthly on the basis set forth in the temporary operating agreement.

9. That the sums paid to the companies monthly as an allowance for depreciation shall constitute a "depreciation fund," which shall be held in trust by the companies and shall bear interest at the rate of

4 per cent per annum; that all necessary replacements shall be paid out of said fund at actual cost; and that if the purchase of said property by the city is consummated, any unexpended balance remaining in the "depreciation fund," together with accrued interest, shall belong to the city and be paid by the companies to the city, but that if the city does not purchase the property, the balance in said fund shall remain the property of the companies.

10. That the agreement shall terminate on July 1, 1917, subject to extension thereof, at the election of the city, for an additional period expiring on July 1, 1919, with the right on the part of the city, at any time, upon three months' written notice given by the board of public service commissioners, to terminate the agreement, and subject also to termination by the voters of the city at an election.

11. That the city will not, during the life of the temporary operating agreement, without the consent of the companies, construct electric distributing lines paralleling or duplicating the distributing systems of the companies or any part thereof, provided that this restriction shall not apply to the construction by the city of lines for transmission or street lighting purposes.

12. That the temporary operating agreement shall be subject to the approval of the Railroad Commission.

13. That the temporary operating agreement shall inure to the benefit of and be binding upon the parties, their successors and assigns.

The agreement contains other provisions to which it is not necessary here to refer.

It was agreed at the hearing that the Railroad Commission should pass herein only on the temporary operating agreement and not on the purchase agreement, hereinbefore referred to. It should be distinctly understood that the Railroad Commission does not herein in any way pass upon the purchase agreement or any provision thereof and that if such agreement should hereafter be presented to the Railroad Commission for approval, the commission will be free to consider each provision thereof without prejudice from anything contained in the opinion and order herein.

II. *Legality of temporary operating agreement.*

Protestants urge that the temporary operating agreement violates certain provisions of the constitution and statutes of California and of the charter of the city of Los Angeles, and contend that the Railroad Commission for this reason should not approve the agreement. Prior to the hearing, these same points had been set forth in proceedings brought by Los Angeles Gas and Electric Corporation against the city in both the state and federal courts. The courts, and not the Railroad Commission, are vested with authority to decide ultimately whether

the contentions of the Los Angeles Gas and Electric Corporation in this behalf are valid. On the facts of this case, we do not consider it necessary for the Railroad Commission to make any ruling on these questions of law.

III. *Fair value of companies' electric distributing systems.*

The temporary operating agreement provides that the companies shall retain from the revenues collected by them, interest at the rate of 8 per cent per annum, payable monthly, on the following sums:

1. The sum of \$8,270,000.00, being the assumed fair value on January 1, 1917, of the electric distributing systems of the companies affected by the temporary operating agreement.

2. Such sum as shall be determined by the Railroad Commission as being the value of the distributing system of the companies in that part of the city of Los Angeles which is known as "Westgate Annexation District," as such system existed on January 1, 1917.

3. The actual cost to the companies of extensions and betterments made to all said properties subsequent to January 1, 1917.

The temporary operating agreement provides that in case the city pays to the companies the purchase price of said electric distributing systems, the city shall be entitled to a credit on the purchase price of an amount equivalent to one-quarter of the sums payable to the companies for interest as next hereinabove provided.

The sum of \$8,270,000.00, hereinbefore referred to, is derived as shown in Table I.

TABLE I.

Derivation of Sum of \$8,270,000.00.

Value of electric distributing system of Southern California Edison Company on June 30, 1915, fixed by the Railroad Commission in Decision No. 3625, in Application No. 1424-----	\$4,750,000 00
Additions and extensions from July 1, 1915, to January 1, 1917--	232,104 00
Value of electric distributing system of Pacific Light and Power Corporation, affected by temporary operating agreement, as of January 1, 1917-----	3,288,813 00
Total -----	\$8,270,917 00
Deducted in making settlement-----	917 00
Total fair value as per agreement-----	\$8,270,000 00

As already indicated, the sum of \$4,750,000.00 is the amount fixed by the Railroad Commission in Decision No. 3625 as the just compensation to be paid by the city of Los Angeles for the electric distribution system of Southern California Edison Company, with certain minor exceptions, in the city of Los Angeles and adjacent unincorporated territory.

The details of the item of \$232,104.00, being additions and extensions to the electric distributing system of the Edison company from July 1, 1915, to January 1, 1917, are set forth in Exhibit No. 12 of petitioners herein. This exhibit shows that the actual cost of such additions and extensions was \$259,819.32, which sum is \$27,715.32 in excess of the amount assumed in the temporary operating agreement. Nevertheless, the parties have agreed to this item on the basis of \$232,104.00 as originally agreed upon.

The item of \$3,288,813.00, agreed upon by the parties as the fair value of the electric distributing system of Pacific Light and Power Corporation, affected by the agreement, is reported by the parties to be the "investment cost" of the property as of October 31, 1916, with an estimated additional expenditure of \$20,000.00 for new construction during November and December, 1916. The actual expenditure for new construction during these two months, as shown in Exhibit No. 7 of petitioners, was \$12,624.00 less than the estimated expenditures. Here, too, the parties have used the sum first agreed upon, being \$3,288,813.00.

The items entering into this total sum are set forth in some detail in Exhibit No. 13 of petitioners. The so-called "investment cost" of the property as of October 31, 1916, is, in reality, not a book cost, but is the estimated reproduction cost new of the property as of July 31, 1912, as estimated by J. G. White & Company, with adjustments for additions and deductions subsequent to that date to December 31, 1916. Attention should be drawn to the fact that the overhead percentages used by J. G. White & Company in their inventory and appraisal aggregate 22.76 per cent on a proper base figure. In Application No. 2651, being an application by the Edison company and the Pacific corporation for an order of the Railroad Commission authorizing the consolidation of their entire properties, the engineers for the Edison company reported that a reasonable allowance for overhead on the property of the Pacific corporation should not exceed 15 per cent. In this same proceeding, Mr. Richard Sachse, chief engineer of the Railroad Commission, used 13 per cent.

There is no testimony herein to show the value of the distributing systems of the companies in that portion of the city of Los Angeles which is known as the "Westgate Annexation District."

There is also no testimony to show the cost of additions and extensions to said electric distributing systems of the companies subsequent to January 1, 1917.

The temporary operating agreement further provides that the companies shall have the right to retain out of the gross revenues received from them interest at the rate of 6 per cent per annum from May 1,

1917, payable monthly, on the sum of \$130,000.00, being severance damage, as estimated by the parties, as the result of making plant capacity idle. Mr. R. H. Ballard, assistant general manager of the Edison company, testified that this amount had been derived on the basis of the Railroad Commission's decision in said Application No. 1424, of the sum to be paid by the city of Los Angeles to the Edison company as severance damages. Mr. Ballard testified that he assumed that of the total severance damage of \$1,578,000.00 determined by the Railroad Commission, the amount of \$712,301.53 represented charges on property of the Edison company not to be taken, to be made temporarily idle by reason of the severance of the Edison company's Los Angeles properties and that by reason of the proposed sale of electric energy by the Edison company to the city during the term of the temporary operating agreement, this amount will be reduced by \$625,201.00, leaving idle plant carrying charges of the Edison company, during the continuance of the temporary operating agreement, amounting to only \$87,100.53. Mr. Ballard testified that 55 per cent of this amount had been added to represent the assumed severance damages to be suffered by the Pacific corporation under the temporary operating agreement. The ratio of 55 per cent was used for the reason that the gross revenue of the Pacific corporation from its business herein under consideration was approximately 55 per cent of the gross revenue from the Edison company's business herein under consideration. There is nothing in the testimony herein to show definitely the relationship between the property or business of the Pacific corporation in the territory herein affected and the remaining territory formerly served by this company. The ratio of 55 per cent as used in the determination of severance damages to be paid to the Pacific corporation is confessedly no more than an approximation which was agreed to by the parties.

IV. *Rate for electric energy sold by companies to city.*

In the temporary operating agreement, the city agrees to purchase from the companies electric energy at rates ranging downward from 1.22 cents per kilowatt hour to .5 cents per kilowatt hour, dependent upon varying annual load factor, and to purchase and to pay annually for at least 25,000 horsepower at an annual load factor of not less than 36 per cent.

The rates at which the city agrees to purchase from the companies all electric energy required for distribution and sale in the city of Los Angeles, and adjacent unincorporated territory in excess of the electric current produced in the city's plants, are as shown in Table II.

TABLE II.

Rates to be Paid by City of Los Angeles to Southern California Edison Company and Pacific Light and Power Corporation, Based on Varying Annual Load Factors.

Annual load factor	Rates in cents per k.w.h.	Annual load factor	Rates in cents per k.w.h.
36%-----	1.22	65%-----	.724
40%-----	1.11	70%-----	.678
45%-----	1.00	75%-----	.639
50%-----	.909	80%-----	.604
55%-----	.836	90%-----	.546
60%-----	.774	100%-----	.500

These rates are based on the cost of supplying electric energy at the substations of each of the companies, as estimated by the parties herein.

Table III shows the estimate of substation cost of the actual load factors in 1915 and at an assumed load factor of 36 per cent, both for the Edison company and the Pacific corporation, as estimated by the companies.

TABLE III.

Substation Cost at Actual and 36 Per Cent Load Factor, as Estimated by Southern California Edison Company and Pacific Light and Power Corporation.

(Based on 1915 expenses.)

	Edison system		Pacific Light and Power system.
	56.9% l.f.	36% l.f.	53% l.f.
Production and transmission expense----	\$509,013 93	\$437,920 28	\$230,027 00
General expense-----	86,210 09	86,210 09	123,000 00
Interest and depreciation (10.42%)-----	1,330,559 93	1,330,559 93	2,385,000 00
State taxes (54%)-----	106,705 00	102,766 40	160,000 00
Additional steam expense to correct for average water conditions-----	77,400 00	51,602 00	65,000 00
Correction for price of fuel oil (1916)-----			18,930 00
Total corrected cost-----	\$2,109,888 95	\$2,009,058 70	\$3,053,000 00
Substation output in kilowatt hours-----	236,580,419	149,732,928	331,163,040
Equivalent cost per kilowatt hour-----	\$0.00892		\$0.00922
Adjusted cost per kilowatt hour at 36% load factor-----		\$0.01342	.01335
Cost at 36% load factor adjusted for diversity per kilowatt hour ($\frac{.01342 + .01335}{2 \cdot 1.06}$)-----		.01262	
Arbitrarily reduced to (per kilowatt hour)-----		.0122	
Rate of \$0.0122 equivalent on this basis to diversity factor of-----		1.096	

Attention should be drawn to the fact that in Table III a correction is made in the price of fuel oil in 1916.

If the weighted average of cost of the two companies is used instead of the simple average shown in Table III, the total weighted cost per

kilowatt hour for both companies would be \$0.01292, which cost, when adjusted for diversity of 1.06, is \$0.01219.

In an independent estimate of cost prepared by the Railroad Commission on the basis of the testimony submitted by the Edison Company and the Pacific corporation in Application No. 2651, a cost was secured as shown in Table IV. This estimate is based on the combined operations of the unified systems of the Edison company and the Pacific corporation and allowance is made for the present increased price of fuel oil.

TABLE IV.

Estimated Substation Cost for 1917 for Consolidated Systems of Southern California Edison Company and Pacific Light and Power Corporation.

Production expense -----	\$621,000 00
Transmission expense -----	141,000 00
General and miscellaneous expense -----	128,212 00
Interest and depreciation (10.42%) -----	3,715,560 00
State taxes -----	273,224 00
<hr/>	
Total (1916 conditions) -----	\$4,878,996 00
Increased price of fuel oil -----	240,000 00
Adjustment of taxes -----	13,440 00
<hr/>	
Total (corrected) -----	\$5,132,436 00
Substation output (kilowatt hour) -----	567,740,000
Equivalent cost per kilowatt hour -----	\$0.00904
Total cost adjusted for 36 per cent annual load factor -----	\$5,031,606 00
Station output at 36 per cent load factor (kilowatt hour) -----	391,736,688
Equivalent cost per kilowatt hour (36 per cent annual load factor) -----	\$0.01284
Adjusted for diversity $\left\{ \begin{smallmatrix} .01284 \\ 1.06 \end{smallmatrix} \right\}$ per kilowatt hour -----	\$0.01211
Rate of \$0.0122 equivalent on this basis to diversity factor of ---	1.052

From an analysis of the costs shown in Table IV, it would appear from the data thus supplied by the companies that the rate of 1.22 cents per kilowatt hour for electric energy supplied by the companies at an annual load factor of 36 per cent closely approximates the actual cost to the companies.

The rates per kilowatt hour corresponding to load factors higher than 36 per cent, as set forth in the temporary operating agreement, conform reasonably to the varying cost of service at different load factors.

V. *Minimum amount of electric energy to be paid for by city.*

The temporary operating agreement provides that the city shall purchase from the companies during each month an amount of electric energy corresponding to a maximum yearly peak demand of 25,000 horsepower, at an annual load factor of at least 36 per cent. This provision means that the city is obligated to pay to the companies during each year for electric energy to the amount of approximately 58,814,000 kilowatt hours at the rate of 1.22 cents per kilowatt hour.

The minimum annual payment to be made by the city to the companies for electric energy shall thus be not less than \$717,530.80.

Protestants urge that the amount of electric energy thus to be paid for by the city to the companies is in excess of the amount which the city will need in case its San Francisquito Canyon plant is operated to capacity. In other words, protestants urge that the city has bound itself either to pay for more electric energy than it needs or to permit its San Francisquito Canyon plant to remain partially idle. We have given careful consideration to this contention.

As shown by Exhibit No. 17 of petitioners herein, 112,419,452 kilowatt hours of electric energy were delivered into the distributing systems of the Edison company and the Pacific corporation from the various substations of these companies in Los Angeles during the year ending March 31, 1917. This total does not include any electric energy sold by these companies to the railways. As shown by the same exhibit, the consolidated instantaneous peak on the systems of both companies in Los Angeles during the period stated was 30,878 kilowatts, corresponding to an average load factor of 41.6 per cent and the highest 15-minute peak was 30,123 kilowatts, corresponding to an average load factor of 42.6 per cent.

Mr. R. H. Ballard testified that, in his opinion, the peak during the first year of the temporary operating agreement would be approximately 37,500 kilowatts for the two systems, being an increase of 21.4 per cent over the peak for the year ending March 31, 1917. Applying this same rate of increase to substation send-out, exclusive of energy supplied to the railways, the amount of electric energy delivered into the electric distributing systems of the companies in the territory affected during the year ending April 30, 1918, would be approximately 136,477,200 kilowatt hours. As the city is obligated to purchase from the companies 58,814,000 kilowatt hours, a balance of 77,663,200 kilowatt hours would remain to be supplied from the city's generating plant.

Both the city and the companies allege that the San Francisquito Canyon hydroelectric plant is capable of generating 28,000 kilowatts, the full peak capacity of the plant, at 40 per cent annual load factor. If the plant were required to operate continuously at a steady load it would develop, by utilizing all the available water, only about 11,200 kilowatts. This type of plant is commonly known as a "peak load" plant, by reason of the fact that it is designed to carry peak loads of an intermittent nature considerably in excess of the normal continuous capacity of the water which operates it. With the water available, the city's plant should be able to deliver on the power house switchboard about 98,112,000 kilowatt hours per year. Assuming that 85 per cent of this energy can be delivered out of the Los Angeles substation, consideration being given to transformation and transmission losses and

to the difficulty of regulation so as to conserve all the available water, the plant should be able to produce a maximum of 83,395,200 kilowatt hours per year for distribution in the city of Los Angeles. However, owing to the nature of the load to be supplied in the city of Los Angeles, and to the contract obligations as between the city and the companies, it is not likely that the city's plant will be able to operate at its full ultimate capacity during the operations of the first year.

It appears from the calculations hereinbefore set forth that on the assumptions herein contained, the city's San Francisquito Canyon plant will be able to generate for distribution out of the Los Angeles substation an apparent surplus of 5,732,000 kilowatt hours. This surplus, however, is only an apparent surplus and not a real surplus, for the reason that the city will require constantly increasing amounts of electric energy for distribution in its own distributing system, which is constantly being enlarged in certain sections, and for its own street lighting service. Bearing these facts in mind, it does not appear that the minimum requirement in the temporary operating agreement is unreasonable or that it will necessarily operate to the disadvantage of the city.

Attention should be drawn to the fact that under the temporary operating agreement, the companies shall have charge and control of all matters pertaining to the operation of the distributing systems. The companies shall also have initial control over the maintenance and extension of said distributing systems and the conduct of the business, but with reference to these matters, the companies are subject to the authority of the board provided for in said agreement.

The Railroad Commission has carefully considered each feature of the temporary operating agreement. This agreement is a business bargain which was entered into at arm's length by representatives of the city of Los Angeles and of the companies, all of whom were ably advised and thoroughly understood what was being done. The Railroad Commission is not here called upon to itself make a bargain for the parties. The authority of the Railroad Commission is confined to passing upon the bargain already made and to determine whether there is any provision in the temporary operating agreement by reason of which the commission may or should justly withhold its approval from the agreement. While there are certain features of the agreement which we might have worked out differently had we initially made the agreement, nevertheless, we are satisfied from a careful analysis of the same, looking at the agreement in the large, that it should be approved.

In granting such approval, it must be distinctly understood that the Railroad Commission is not thereby passing on the reasonableness of any rate now in effect or on the presence or absence of discrimination

with reference to any rate in any portion of the territory affected by the temporary operating agreement.

As already stated, we do not herein pass on any portion of the purchase agreement.

We submit the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding and the same having been submitted and being now ready for decision,

It is hereby ordered that the temporary operating agreement of April 30, 1917, between the parties hereto be and the same is hereby approved.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-second day of June, 1917.

Decision No. 4418, grade crossing; not printed. See end of volume.

DECISION No. 4419.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO SUPPLY ELECTRIC CURRENT FOR HEATING AND POWER PURPOSES IN THE CITY OF CLAREMONT.

Application No. 2885.

Decided June 22, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Southern California Edison Company having in accordance with the order heretofore made in this proceeding on June 2, 1917, filed a stipulation that neither it, nor its successors and assigns, will ever claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges contained in Ordinance No. 121, adopted by the board of trustees of the city of Claremont on June 5, 1916, in excess of the actual cost thereof to applicant, which cost is stated to be one hundred (100) dollars.

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this twenty-second day of June, 1917.

DECISION No. 4420.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE TOWN OF NEWMAN BY ORDINANCE NO. 76 ON THE THIRTEENTH DAY OF MARCH, 1917.

Application No. 2911.

Decided June 22, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

The Pacific Telephone and Telegraph Company having in accordance with the order heretofore made in this proceeding on June 7, 1917, filed a stipulation that neither it, nor its successors and assigns, will ever claim before the Railroad Commission of the state of California, or any other public authority, any value for the rights and privileges conferred by Ordinance No. 76 of the town of Newman, California, in excess of the actual cost thereof to applicant, which cost is stated to be one hundred and twenty (120) dollars.

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this twenty-second day of June, 1917.

DECISION No. 4421.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE EXECUTION OF AN INDENTURE SUPPLEMENTAL TO ITS FIRST MORTGAGE DATED NOVEMBER 1, 1910.

Application No. 3007.

Decided June 25, 1917.

BY THE COMMISSION.

ORDER.

Whereas applicant in the above-entitled matter asks authority to execute to The Equitable Trust Company of New York an indenture supplemental to its first mortgage dated November 1, 1910, in substantially the same form as the indenture attached to the application and marked Exhibit "A"; and

Whereas applicant reports that the proposed supplemental indenture will not be unduly burdensome to it, and will afford a greater measure of protection to the bondholders; and it appearing to the commission that this is not an application in which a public hearing is necessary,

It is hereby ordered that Southern California Gas Company be and it is hereby authorized to execute a supplemental indenture in substantially the same form as the indenture attached to the application and marked Exhibit "A."

The approval herein given of said supplemental indenture is for the purpose of this proceeding only and in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said supplemental indenture as to such other legal requirements to which said supplemental indenture may be subject.

The authority herein given to execute the aforesaid supplemental indenture shall apply only to such supplemental indenture as may be executed on or before October 1, 1917.

Dated at San Francisco, California, this twenty-fifth day of June, 1917.

DECISION No. 4422.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO TRANSPORTATION COMPANY FOR PERMISSION TO INCREASE RATES ON GRAIN, BEANS AND LIVE STOCK.

Application No. 2954.

Decided June 26, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Petitioner in the above-entitled proceeding having requested, at a public hearing held on June 21, 1917, that permission be given to withdraw the petition herein,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

DECISION No. 4423.

IN THE MATTER OF THE APPLICATION OF FARMERS TRANSPORTATION COMPANY FOR PERMISSION TO INCREASE RATES ON GRAIN, BEANS AND LIVE STOCK.

Application No. 2953.

Decided June 26, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Petitioner in the above-entitled proceeding having requested, at a public hearing held on June 21, 1917, that permission be given to withdraw the petition herein,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

DECISION No. 4424.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR ADJUSTMENT OF DISPUTES WHICH HAVE ARISEN BETWEEN IT AND FRANK L. DELONG, ALSO KNOWN AS F. L. DELONG; E. CLEMENS HORST COMPANY, KELLEY & HENRY COMPANY, W. D. SHELDON & COMPANY, GIRVIN & EYRE, STRAUSS & COMPANY, VOLMER & PERRY, M. BLUM & COMPANY, MOORE, FERGUSON & COMPANY, AND SOMERS & COMPANY, CONCERNING INTERPRETATION OF CAR DEMURRAGE TARIFF No. 2-D C. R. C. No. 6.

Application No. 2574.

Decided June 26, 1917.

BY THE COMMISSION.

ORDER DENYING APPLICATION FOR REHEARING.

Frank L. DeLong, E. Clemens Horst Company, Kelley & Henry Company, W. D. Sheldon & Company, Girvin & Eyre, Strauss & Company, Volmer & Perry, M. Blum & Company, Moore, Ferguson & Company and Somers & Company having filed an application for rehearing herein claiming that the commission did not have jurisdiction to make the order heretofore made in this proceeding on December 2, 1916, and the commission being of the opinion that it has jurisdiction to entertain this proceeding and make said order, and that accordingly the application for rehearing should be denied, but also, that for the purpose of

preventing any misunderstanding of the order heretofore made that the form of said order should be changed,

It is hereby ordered that in accordance with the conclusions stated in the opinion rendered herein on December 2, 1916, Southern Pacific Company enforce paragraph "A" of Rule 3 of Tariff No. 2-D, C. R. C. No. 6, with reference to the demurrage assessed against said Frank L. DeLong, E. Clemens Horst Company, Kelley & Henry Company, W. D. Sheldon & Company, Girvin & Eyre, Strauss & Company, Volmer & Perry, M. Blum & Company, Moore, Ferguson & Company, and Somers & Company;

It is further ordered that this order be substituted for the order heretofore made on December 2, 1916; and

It is further ordered that the application for rehearing filed herein be and the same is hereby denied.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

DECISION No. 4425.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION ON ITS OWN MOTION OF THE RATES, RULES, REGULATIONS AND SERVICE OF THE MURPHY WATER, ICE AND LIGHT COMPANY.

Case No. 817.

Decided June 26, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

On December 22, 1915, an application for rehearing having been filed in this proceeding, and the Railroad Commission having thereafter made an order extending, during the pendency of said application for rehearing, the effective date of the order heretofore made in this proceeding on November 30, 1915, and it appearing that by virtue of the informal negotiations conducted during the pendency of said application for rehearing between the commission and Murphy Water, Ice and Light Company and the consumers of the latter, a satisfactory adjustment has been made of the difficulties which gave rise to this proceeding,

It is hereby ordered that the order heretofore made in this proceeding on November 30, 1915, be and the same is hereby vacated, and that this proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

DECISION No. 4426.
WATER USERS ASSOCIATION OF THE WILLOW CANAL
vs.
YOLO WATER AND POWER COMPANY.

Case No. 1011.

Decided June 26, 1917.

Complaint petitioning the commission to compel defendant irrigation company, operating in the southern portion of Yolo County, to render more adequate service.

1. The rotation method of delivering water for irrigation purposes is far more desirable and results in a much more improved service than deliveries by application, for it will insure to consumers at fixed intervals an adequate and uniform head for a stated period of time.
2. Privately-owned ditches are not under the control of the commission and as a rule are in a very poor state of repair, making it difficult for the utility to deliver water, and are in a large measure responsible for complaints alleging poor service. Suggestion made that all privately-owned ditches be placed under the control of the utility, either by purchase or lease.
3. Consumers owning private ditches must keep them in a thoroughly cleaned condition otherwise the utility in delivering water shall measure it at point of intake of consumers' lateral instead of at point of delivery at acreage to be irrigated.
4. Defendant required to file with the commission, within sixty days, detailed plans for the permanent improvement of its facilities, to remove all weeds and other obstructions from its Willow canal within a period of thirty days and to file with the commission rules and regulations governing the distribution of water by the rotation method.

Forest A. Plant, for Complainant.

Arthur C. Huston, for Defendant.

BY THE COMMISSION.

OPINION.

This proceeding is brought by certain water consumers of the Yolo Water and Power Company, whose lands are located adjacent to the Willow canal, which canal forms a part of the irrigation system owned and operated by the defendant herein and is located in the southern portion of Yolo County.

Public hearings in this proceeding were held in Woodland before Examiner Encell on February 27 and 28, March 1, 2, 5 and 12, 1917.

Complainants allege:

1. That during the irrigation season of 1916 an inadequate and insufficient supply of water was furnished by defendant to complainants for purposes of irrigation.

2. That discrimination in water distribution on the part of defendant, which discrimination favored certain rice growers supplied with water by defendant on other portions of the irrigation system, has damaged complainants.

3. That the rules and regulations of the defendant company have been disregarded.

4. That the system of allotment and time of delivery of water as enforced by the company resulted in uncertainty and confusion as well as damage to the crops of complainants.

5. That the irrigation heads furnished were not sufficient to irrigate economically.

6. That the available water supply is insufficient to irrigate the lands which defendant offers to supply during the irrigating season of 1917.

7. That the Willow canal is not properly cleaned or maintained.

Defendant in its answer denies all the material allegations of the complaint and asks for a dismissal of this proceeding.

The irrigation system of the Yolo Water and Power Company comprises a number of canals and laterals, of which latter the Willow canal is one. The water supply is obtained from the Cache Creek watershed in Yolo and Lake counties. Clear Lake in Lake County is included in this watershed and acts as a storage reservoir. The storage capacity of the lake has been increased to 422,000 acre-feet by the construction of a dam, which renders available an additional depth of ten feet over the surface of the lake. Defendant, however, has not acquired all the so-called flowage rights around the edge of the lake, and is compelled to regulate the discharge so as to not interfere appreciably with the normal water storage.

Water is discharged from the lake into Cache Creek, from which it is diverted into two canals by the so-called Capay dam, located near Capay. The Winters canal and its laterals supply the larger area irrigated. It carries water from the Capay dam in a general southerly direction. The main laterals from this canal are the Madison, Capay, Cottonwood, Yolo, Central, Union Slough, Walnut and Willow.

The area north of Cache Creek is supplied by the Adams canal, which extends from the Capay dam in a northerly and easterly direction to a point near the town of Yolo. The principal laterals are the Hungry Hollow and the Acacia. The Adams canal is used at present to carry water to a point some ten miles below the Capay dam, where it is returned to Cache Creek and rediverted into the Moore canal by a dam known as Moore dam. The Moore canal extends in a general easterly and southerly direction and irrigates lands in the vicinity of Woodland.

The canal system is made up of an extensive network of canals and laterals reaching between ten and fifteen times the area at present irrigated. Thus we find a widespread system irrigating a comparatively small area scattered along its canals.

The following tabulation shows, in acres, the area and crops irrigated by the various canals:

Canal	Total	Alfalfa	Orchard	Grain	Rice	Miscellaneous
Yolo, Central	2,016	73	-----	-----	1,913	-----
Pleasant Prairie	1,210	-----	-----	-----	1,210	-----
Cottonwood Slough and Ex.	2,593	-----	-----	20	2,573	-----
Stephens Slough	675	-----	-----	-----	675	-----
Walnut	723	100	-----	-----	623	-----
Willow	1,158	1,228	210	-----	-----	20
Winters	2,625	1,895	198	287	190	55
Adams	2,105.5	869.50	2.50	102	1,030	74.50
Wistaria	176	130	-----	-----	-----	46
Moore	1,976.5	1,318.50	81	313.50	-----	263.50
Maple	3,024	2,433.75	104	250	-----	236.25
Magnolia	248	209.50	35	3.50	-----	-----
	18,830.5	8,281.75	630.50	976.00	8,244	695.25

At the hearings it developed that all the parties to this proceeding admitted that the service during the 1916 irrigation season was not good, it being the contention of defendant that this was due partially to unusual climatic conditions which existed in the early part of the year and partially to the physical condition of the canal which, it is contended, is impracticable to improve by cleaning and repairing. On the latter point it was, however, contended by attorney for complainant that the Willow canal is adequate if properly cleaned and operated efficiently. The fact that adequate service was not rendered during the past year is admitted by both parties and it is, therefore, necessary to find means of improving it.

The complaint of the consumers largely related to the failure of the company to deliver water at the time requested, the small size of the heads furnished and the intermittent flow. To irrigate land expeditiously it is necessary that the irrigator have a uniform head varying from four to fifteen cubic feet per second, depending upon numerous factors, among which are type of soil, crop, moisture content of the soil and condition of the land irrigated. Any method of operation which will give reasonable assurance to the irrigator of a uniform flow and sufficient head to properly irrigate will remedy the existing conditions. Professor S. H. Beckett, of the University of California Farm, Davis, California, and the commission's engineer testified that a proper schedule of deliveries by the rotation method would accomplish this result. This method of deliveries also aids in the conservation of the water supply.

The present method of deliveries is by application, under which method the irrigator informs the company as to the date his crop will be ready for irrigation and applies for water at or as near as possible to

the time when the water will be needed. It can be readily seen that if applications were made by irrigators on the opposite ends of a ditch for use of the water at the same time an excessive loss of time and water will result from running the water the entire length of the ditch in order to comply with the applications. A rotation schedule of deliveries will largely overcome such difficulties and give practical assurance to the rancher that he will receive water at fixed intervals in adequate and uniform heads for a stated period of time, and on the other hand, it will insure the company against simultaneous demands for water at distant points on the same canal.

Although it was contended by defendant that it is impossible to adequately serve the area irrigated from the Willow canal, computations by W. H. Davis, engineer for the company, Mr. Beckett, and the commission's engineer show that even with the canal in its then condition, the area could be irrigated in a maximum of twenty days each month and apparently if repaired and cleaned in a still shorter time.

The Willow canal is located in close proximity to Putah Creek, which location causes excessive seepage loss. Because of this fact, it is the opinion of Mr. Davis and the commission's engineer that this location should be abandoned and a new canal dug to irrigate the same area. A preliminary location of this new canal has been made, which, it is stated, will reduce seepage losses to a considerable extent. Whether or not it is found advisable to relocate the existing canal or improve it by repairing and cleaning depends upon detailed estimates of the cost. The fact remains, however, that in order to adequately serve complainants it will be necessary to thoroughly repair and clean the existing canal, and in the event of that improvement not providing a remedy for the present inadequate service then to locate and construct a canal of sufficient size to insure proper service to its consumers.

Defendant delivers water to a point on or near the land of the irrigator, at which point the water is measured, although in many instances the laterals extending from the main distribution canals to the irrigator's ranch are owned by groups of consumers and are not under the direct control of the company. This has, in many instances, been found by this commission to be a cause of controversy between the utility and its consumers in that there is a division of authority between the irrigator and the utility, the utility contending that the irrigator's ditches were not in condition to deliver water and the irrigator contending that the utility failed to deliver water.

The commission has no jurisdiction over these ditches because they are not a public utility as that term is defined by the Public Utilities Act. These privately-owned ditches are usually in a state of bad repair and are poorly maintained. The defendant herein has been accustomed to measuring the water not at the point of delivery by it into one of

these privately-owned or mutual ditches, but at the place where the water is delivered upon the premises of the individual consumer. Inasmuch as these ditches are not subject to regulation by the company or by any regulatory body, such a condition is manifestly unfair to the utility. The only remedy of such a state of affairs will lie in the company's insisting upon measuring the quantity of water delivered at the point where that water leaves ditches which were owned or controlled by the utility. It is advisable, and best results will obtain, if the utility controls all structures and laterals necessary to deliver water to the lands of the individual consumers rather than the state of affairs hereinabove described. It is suggested that the consumers and utility enter into negotiations whereby these ditch systems will be purchased, leased, or in some manner placed under the control of the utility in order that the entire distribution system may be under the jurisdiction of this commission. Division of authority must result in confusion and delay.

Notice has been sent by defendant to irrigators upon all the laterals not under its control that water will not be delivered during this year unless these laterals are put in condition. It is apparent that where water is measured at the irrigator's land, as in this instance, the utility is bearing the loss through excessive seepage caused by failure to clean and repair the laterals, and it can not be impressed too strongly upon those receiving water through laterals that they must be thoroughly cleaned when needed. It should be provided in the rules and regulations of the company that where laterals not under their control are not cleaned the point of measurement will be changed to the intake of the lateral.

While dealing with the matter of control of the distribution system, we wish to state that the control and ownership of the turnouts in the banks of the canals owned by the company are a part of the distribution system of the company and that the company must install and maintain the same.

Water delivered to consumers in 1916 totalled 68,000 acre-feet and 70,000 acre-feet additional remained in Clear Lake at the end of the season available for distribution. The commission's engineer estimated that approximately 74,000 acre-feet are necessary to adequately serve the average area now irrigated. The quantity of water available has therefore been sufficient.

ORDER.

Complaint having been made by the Water Users Association of the Willow canal against the service and practices of the Yolo Water and Power Company, and public hearings having been held and the commission being fully apprised in the premises.

It is hereby ordered that the Yolo Water and Power Company be and the same is hereby directed to file with this commission within sixty (60)

days from the date of this order detailed plans for the improvement of its facilities for delivery of water to its consumers on the Willow canal, either by the construction of a new canal or improvements to the existing canal, whereupon supplemental order will issue indicating the construction or other means of insuring adequate service that the company will undertake.

It is hereby further ordered that the Yolo Water and Power Company, within thirty (30) days from the date of this order, remove weeds or other obstructions from the Willow canal, making it of sufficient capacity to provide adequate service during the current year.

It is hereby further ordered that the Yolo Water and Power Company, within fifteen (15) days from the date of this order, file a complete schedule of rules and regulations for the approval of this commission, which rules and regulations are to provide for the delivery of water by rotation.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

Decisions Nos. 4427, 4428 and 4429, grade crossings; not printed. See end of volume.

DECISION No. 4430.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF THREE HUNDRED SIXTY-FOUR THOUSAND DOLLARS.

Application No. 2974.

Decided June 26, 1917.

Applicant authorized to issue \$364,000.00 face value of its 5½ per cent first mortgage bonds covering proposed capital expenditures to be made during the period ending March 31, 1918, provided that only \$40,000.00 face value of such bonds shall be issued at the present time, to be sold at not less than 92½, proceeds to reimburse treasury covering capital expenditures made during the month of April, 1917. Balance of bonds authorized to be issued only under supplemental orders.

Hunsaker & Britt and LeRoy M. Edwards, by LeRoy M. Edwards and G. Harold Jancway, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

In this application Southern Counties Gas Company of California asks the commission to approve its proposed construction program for the year ending March 30, 1918, set forth in Exhibit "B" attached to the application, and to authorize applicant to issue \$364,000.00 face

value of its first mortgage twenty-year $5\frac{1}{2}$ per cent bonds due and payable May 1, 1936.

Applicant proposes to issue bonds equal in face value to 80 per cent of the cost of permanent extensions, enlargements and additions of and to its plant during year ending March 31, 1918.

At this time applicant asks authority to issue and sell \$40,000.00 of the aforesaid \$364,000.00 of bonds at not less than $92\frac{1}{2}$ per cent of their face value, plus accrued interest.

Applicant proposes to use the proceeds of the \$40,000.00 of bonds to reimburse its treasury for capital expenditures as hereinafter indicated. The order will provide, that after such reimbursement the proceeds shall be used to pay all or part of the notes, listed in Exhibit No. 1, attached hereto.

Applicant estimates that during the year ending March 31, 1918, it will have to expend for permanent extensions and betterments to its system, the sum of \$455,000.00. It reports that during the month of April, 1917, it has expended for capital purposes the sum of \$49,841.47. Its estimated expenditures for the year, as well as the actual expenditures during the month of April, are reported as follows:

	Estimated requirements, April 1, 1917, to March 31, 1918	Capital expenditures, April, 1917	Balance contemplated expenditures, May 1, 1917
Orange County District—Capital expenditures, production, transmission and distribution	\$58,000 00	\$5,868 26	\$52,131 74
Miscellaneous equipment and construction expenditures	7,000 00	807 92	6,192 08
Whittier District Capital expenditures, production, transmission and distribution	48,500 00	16,682 69	31,817 31
Miscellaneous equipment and construction expenditures	5,000 00	293 25	4,706 75
Pomona District—Capital expenditures, production, transmission and distribution	70,000 00	6,041 32	63,958 68
Miscellaneous equipment and construction expenditures	7,000 00	1,347 18	5,652 82
Monrovia District—Capital expenditures, production, transmission and distribution	75,000 00	1,353 75	73,646 25
Miscellaneous equipment and construction expenditures	7,500 00	35 00	7,465 00
Long Beach District Capital expenditures, production, transmission and distribution	85,000 00	8,900 93	76,099 07
Miscellaneous equipment and construction expenditures	15,000 00	213 80	14,786 20
Santa Monica Bay District—Capital expenditures, production, transmission and distribution	45,000 00	4,253 13	40,746 87
Miscellaneous equipment and construction expenditures	7,500 00	1,971 53	5,525 47
General -			
Miscellaneous and equipment expenditures	24,500 00	2,039 71	22,460 29
	\$455,000 00	\$49,841 47	\$405,158 53

A few of the larger proposed expenditures are:

- \$9,000.00 for an additional holder at Santa Ana.
- \$15,000.00 for a new distributing system at Montebello.
- \$10,000.00 for a 4-inch transmission line from Pomona to Ontario.
- \$40,000.00 for a 200,000 cubic foot holder at Monrovia.
- \$15,000.00 to increase its line capacity from Arcadia to Savanna.
- \$25,000.00 to increase its line capacity to San Pedro.
- \$15,000.00 to increase its line capacity from Sawtelle to Venice.

At this time applicant is unable to furnish the commission with further detail showing proposed expenditures in the amount of \$326,000.00. It alleges that this amount will have to be expended to take care of its normal growth of business.

Applicant reports that because of capital expenditures from September, 1916, to March, 1917, both months inclusive, the commission has authorized it to issue bonds in the amount of \$272,943.60 and that it has actually issued bonds in the amount of \$272,500.00, leaving \$433.60 of construction expenses against which no bonds have been issued.

Under the terms of its deed of trust, applicant is permitted to issue bonds to an amount not exceeding 80 per cent of the actual and reasonable cash expenditures, made subsequent to May 1, 1916, for permanent extensions, enlargements and additions of and to its plants and property, provided that:

“ * * * the earnings from the operation of the plants and properties owned by the company at the time of such certification, for the preceding period of twelve consecutive calendar months (whether such plants and properties shall have been owned by the company for the whole of said period or for only a part thereof) after deducting from such earnings all operating expenses, including taxes, insurance and reasonable expenditures for maintenance and renewals, shall have been equal to at least one and one-half times the annual interest charge upon (1) all bonds then outstanding hereunder, (2) all bonds for the certification of which application is then made hereunder, and (3) all bonds, or other evidences of indebtedness, then outstanding, which shall be secured by a lien or liens prior to that of this indenture on all or any part of the mortgaged property and which shall not be held by the authenticating trustee under and subject to the provisions of this indenture.”

The testimony shows that applicant's earnings have been adequate to justify the issue of additional bonds, and it therefore asks that it be permitted to issue bonds in the amount of \$39,873.18, representing 80 per cent of its April capital expenditures. Adding to the last named amount the sum of \$443.60, mentioned above, we obtain a total of \$40,316.78.

While applicant in its application asks authority to issue \$364,000.00, it, at this time, proposes to issue and sell only \$40,000.00 of said bonds.

The remaining \$324,000.00 of bonds it agrees to issue only upon supplemental orders obtained from the commission.

I herewith submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied to this commission for authority to issue \$364,000.00 face value of its first mortgage twenty-year 5½ per cent bonds due and payable May 1, 1936, to finance 80 per cent of its proposed capital expenditures set forth in Exhibit "B," attached to the application, and to issue and sell at this time \$40,000.00 of said bonds at not less than 92½ per cent, plus accrued interest, to reimburse its treasury for capital expenditures, and a hearing having been held, and it appearing to the commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby granted authority to issue \$364,000.00 face value of its first mortgage twenty-year 5½ per cent bonds, due and payable May 1, 1936, to finance 80 per cent of its proposed capital expenditures for the year ending March 31, 1918, as set forth in Exhibit "B" attached to the application herein, provided that applicant at this time issues only \$40,000.00 of said \$364,000.00 face value of bonds and that the remaining \$324,000.00 shall be issued subject to the terms and conditions of supplemental orders from this commission.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The \$40,000.00 of bonds authorized to be issued and sold shall be sold for not less in cash than 92½ per cent of their face value, plus accrued interest.

2. The proceeds of the \$40,000.00 of bonds shall be applied by applicant to the reimbursement of its treasury for capital expenditures during the month of April, 1917, plus the \$433.60 mentioned in the foregoing opinion, and after so applied, the proceeds shall be used to pay all or part of the notes listed in Exhibit "1" attached hereto.

3. Southern Counties Gas Company of California shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby granted shall not become effective until applicant has paid the fee prescribed in section 57 of the Public Utilities Act.

5. The authority hereby granted shall apply only to such bonds as may be issued and sold on or before May 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of June, 1917.

EXHIBIT No. 1.

List of Notes, All or Part of which, Southern Counties Gas Company of California May Pay with Proceeds from Sale of \$40,000.00 of Bonds.

Payee and address	Date of issue	Date due	Rate of interest	Amount
National Bank of Long Beach, Long Beach.	2/ 6/17	5/ 7/17	6	\$10,000 00
First National Bank, El Monte.....	2/ 6/17	5/ 7/17	6	5,000 00
First National Bank, Long Beach.....	2/ 6/17	5/ 7/17	6	10,000 00
First National Bank, Monrovia.....	2/12/17	5/13/17	6	10,000 00
First National Bank, Anaheim.....	2/12/17	5/13/17	6	5,000 00
First National Bank, Whittier.....	2/12/17	5/13/17	6	5,000 00
Whittier National Bank, Whittier.....	3/21/17	6/24/17	6	5,000 00
First National Bank, Pomona.....	3/29/17	6/27/17	6	5,000 00
American National Bank, Pomona.....	3/29/17	6/27/17	6	5,000 00
First National Bank, Long Beach.....	3/29/17	6/27/17	6	10,000 00
First National Bank, Monrovia.....	4/ 2/17	7/ 1/17	6	5,000 00
First National Bank, Gardiner, Ore.....	4/12/17	7/10/17	6	2,500 00

DECISION No. 4431.

IN THE MATTER OF THE APPLICATION OF CITY OF COALINGA, COALINGA CONSOLIDATED WATER COMPANY AND PLEASANT VALLEY WATER COMPANY FOR AN ORDER AUTHORIZING THE SALE OF CERTAIN OF THE PROPERTY OF SAID PLEASANT VALLEY WATER COMPANY TO SAID CITY OF COALINGA.

Application No. 3012.

Decided June 28, 1917.

BY THE COMMISSION.

ORDER.

Pleasant Valley Water Company having applied to this commission for authority to transfer to the city of Coalinga, for the sum of \$30,000.00, and in accordance with the terms and conditions specified in the agreement between said parties, a copy of which is attached to the application in this proceeding and marked "Exhibit A," the public

utility water system owned by Pleasant Valley Water Company and consisting of the property described in said agreement as follows:

All the right, title and interest of said party of the second part in and to Lot 16, Block 1, and Lot 23, Block 5, of the Los Gatos Addition to the City of Coalinga, according to the map thereof recorded May 29, 1909, in Book 5, page 1, Record of Surveys, in the office of the County Recorder of Fresno County; also all the pipes, mains, laterals, specials, gate valves, storage tanks, derricks, filters, services, meters, appliances and appurtenances of both the hard and distilled water systems belonging to said party of the second part and lying within the corporate limits of said City, but not including any office equipment; also the two inch feeder main for the distilled water system which extends from said City to the storage tanks of said party of the second part located approximately three and one-half miles northerly from said City, together with any rights of way appurtenant thereto, excepting and excluding, however, any portion of the eight inch feeder main which extends from near the junction of Van Ness Avenue and Hayes Street in said City to said storage tanks, and also excepting and excluding such tools and appliances as are primarily useful on said eight inch feeder main; all of which, excepting the real property is set forth in the inventory in one of the books of said party of the second part marked "Consumers Ledger P.V.W.Co., 1916-17;"

and the city of Coalinga having joined in said application, and the commission being of the opinion that this is not a case in which a public hearing is necessary and that said application should be granted.

It is hereby ordered that said Pleasant Valley Water Company be and it hereby is authorized to transfer to the city of Coalinga the above-described property in accordance with the terms and conditions of the agreement attached to the application in this proceeding and marked "Exhibit A."

Dated at San Francisco, California, this twenty-eighth day of June, 1917.

DECISION No. 4432.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON BEACH COMPANY TO SELL ITS PLANT AND SYSTEM TO HUNTINGTON BEACH WATER COMPANY AND OF HUNTINGTON BEACH WATER COMPANY TO ISSUE STOCK.

Application No. 2375.

Decided June 28, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that Huntington Beach Water Company has filed in the above-entitled proceeding a stipulation

in form satisfactory to the Railroad Commission, duly authorized by the board of directors of Huntington Beach Water Company, agreeing that said company, its successors or assigns, will never claim before the Railroad Commission or any court or other public body a value for the franchises to be acquired from Huntington Beach Company in excess of the actual cost to said Huntington Beach Water Company.

Dated at San Francisco, California, this twenty-eighth day of June, 1917.

DECISION No. 4433.

E. T. GUISLER ET AL.

vs.

CALIFORNIA TELEPHONE AND LIGHT COMPANY.

Case No. 917.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA TELEPHONE AND LIGHT COMPANY FOR A GENERAL DETERMINATION AND ADJUSTMENT OF RATES TO BE CHARGED BY IT.

Application No. 2171.

Decided June 28, 1917.

A proceeding that the Railroad Commission fix and determine just and reasonable rate for electric energy delivered by respondent in Mendocino and Sonoma counties. Revised schedules established for different classes of service, containing minor increases in certain instances and eliminating discrimination and providing for a more equitable distribution of the cost of service.

1. When consumers of an electric utility are widely scattered and its upkeep expenses are ordinarily high the consumers should be required to bear a part of the extra burden necessitated in rendering them service.

J. D. Brower, for town of Potter Valley.

I. N. Cable, for Sebastopol Berry Growers.

C. P. Cutten and *L. H. Susman*, for California Telephone and Light Company.

J. M. Dougherty, for town of Monte Rio.

E. T. Guisler, in *propria persona* and for Complainants.

GORDON, *Commissioner*.

OPINION.

This is a complaint by E. T. Guisler and 24 other residents of Geyserville and vicinity against the California Telephone and Light Company, alleging excessive rates for electric service and questioning various practices of the company. The complaint was filed February 5, 1916, and assigned Case No. 917. Following the answer to this complaint, the California Telephone and Light Company made formal

application for a general determination and adjustment of its rates, under date of March 28, 1916. These two proceedings were consolidated for hearing and decision.

Hearings were held at Santa Rosa, March 29, 1916, and September 23, 1916, and at San Francisco December 14, 1916, and February 6, 1917.

The California Telephone and Light Company, hereinafter designated as applicant, is engaged in supplying electricity to the following towns and communities, and to the inhabitants thereof: Eldridge, Warfield, Glen Ellen, Kenwood, Cotati, Fulton, Forestville, Korbell, Guerneville, Monte Rio, Duncan's Mills, Mesa Grande, Occidental, Camp Meeker, Windsor, Lytton, Geyserville, Asti, Cloverdale and Preston, all in the county of Sonoma, and suburban territory adjacent to said towns and communities; and Potter Valley and Talmage in the county of Mendocino and territory surrounding said places. For operating purposes the territory supplied by applicant company with electricity is divided into five districts described as follows, to wit:

Russian River District: From Cotati to Forestville, and all surrounding territory, thence along the Russian River to Duncan's Mills.

Sonoma Valley District: From Vineburg to Kenwood, and all surrounding territory, including Sonoma City.

Cloverdale District: From Windsor to Preston, including Cloverdale City.

Ukiah District: The entire Ukiah Valley, excepting Ukiah City.

Potter Valley District: The entire Potter Valley.

Applicant company owns and operates telephone exchanges and furnishes telephone service in the same general territory in which it supplies electricity.

The California Telephone and Light Company was organized November 23, 1911, and is a consolidation of the following companies: Northwestern Telephone and Telegraph Company, Clear Lake Telephone and Telegraph Company, Northwestern Electric Company, Gold Ridge Improvement Company, Healdsburg Telephone Company, Clear Lake Consolidated Telephone and Telegraph Company, Russian River Light and Power Company, Sonoma Valley Light and Power Company and Cloverdale Light and Power Company. The properties and business of these subsidiary companies were acquired on March 18, 1912, excepting the Cloverdale Light and Power Company which was merged with the California Telephone and Light Company on June 17, 1913.

The growth of the company has been steady. On December 31, 1916, applicant was serving 2,421 electric consumers and 1,771 telephone subscribers, a total of 4,192 consumers in both departments, as compared with 3,262 consumers at the close of the year 1913. The telephone and electric business are operated under one management and in many cases its facilities are jointly used for both services. On December 31, 1916,

the company had outstanding 7,660 shares of common stock of a par value of \$100.00 per share, 3,445 13/15 shares of preferred stock of a par value of \$180.00 per share, and \$472,000.00 of first mortgage 6 per cent gold bonds. In accordance with the order of this commission in Decision No. 721, Application No. 498 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 2, page 1002), applicant is required to set aside a fund out of earnings in the sum of \$2,500.00 per annum for a period of ten years ending 1924, said fund to be used in improvements to its system.

A valuation of applicant's properties was made by the engineering staff of the commission as a result of an extended investigation, and the report of the engineering department shows the estimated reproduction cost new and the estimated reproduction cost new less depreciation of the electric properties used and useful in the service of the public as of June 30, 1916, to be as follows:

*California Telephone and Light Company Electric Properties as of June 30, 1916.
Valuation by Engineering Department of California Railroad Commission.*

	Reproduction cost, new	Reproduction cost less depreciation
Operative properties--electric	\$425,181 00	\$334,332 00
Nonoperative property--electric	8,410 00	
Total electric properties.....	\$433,591 00	

A careful investigation into the revenue and operating expenses of applicant's electric business, covering the period from consolidation to the end of the year 1916, shows that applicant's business does not appear to be reasonably remunerative and that during this period the net earnings from the electric service have not been enough to provide for a reserve to offset the depreciation of its electric properties and to cover the requirements for bond interest and sinking fund.

It is evident that the territory served by the applicant company is in what may be termed a development period in so far as electric utility service is concerned. The more thickly populated territory occupied by the applicant is shared with other larger electric utilities who have possessed themselves of the more remunerative portions thereof. Applicant's electric business, therefore, is confined to the smaller communities and suburban territory, none of which is at the present time productive of much business, nor is there any reasonable expectation that the business in applicant's territory will increase at a greater rate than the investment needed to supply it.

Applicant is not in the business of generating electric energy for its own purposes. It purchases its supply of electricity from the Pacific Gas and Electric Company at Sonoma and Sebastopol and from the

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Snow Mountain Water and Power Company at Asti and Ukiah, and pays to these companies for its wholesale supply of electricity from 1 cent to 1½ cents per kilowatt hour.

Applicant's pole lines and distribution system are scattered over a wide territory, as result of which applicant is required to sustain a heavy line loss in delivering its energy to consumers. The main office of the company is located in Santa Rosa, while its electric lines extend from Potter Valley on the north, Russian River summer resorts on the west, Cotati on the south and Sonoma and Glen Ellen on the south and east. As a result of this widely scattered condition the company's expenses are ordinarily high, and it must be expected that its consumers should be required to bear part of the extra burden necessitated by the peculiar conditions necessary to their service. A large part of the development of the company in its electric department has been of a pioneering nature which has afforded to communities and districts the advantages of electric service which even today they might otherwise be without.

Table I herewith shows the revenue, operating expenses and income of the company from its electric business for the years 1914, 1915 and 1916:

TABLE No. 1.
California Telephone and Light Company Electric Income Statement, 1914-1916, Inclusive.

	1914	1915	1916
Gross revenue	\$69,819 47	\$73,535 68	\$78,962 47
Operating expenses (including taxes).....	37,064 75	43,727 93	45,299 51
Net operating revenue.....	\$32,754 72	\$29,807 75	\$33,662 96
Interest revenues		160 91	419 03
Total net revenue.....	\$32,754 72	\$29,968 66	\$34,119 99
Uncollectible bills- deduct	530 00	469 80	1,545 00
Net income electric	\$32,224 72	\$29,498 86	\$32,574 99

From the preceding table it will be noted that the total net income of the electric department of the applicant available for bond interest, sinking fund, reserve, depreciation and surplus was \$33,574.99 for the year 1916. The estimated reproduction cost of the electric properties as of June 30, 1916, from the appraisal by the commission's engineering department, was \$425,181.00, upon which valuation the net income above for the year 1916 is a return of 7.65 per cent. The annual requirement for depreciation reserve on the electric properties of applicant should, under the special conditions existing, be in the neighborhood of 3.50 per cent or an amount approximately \$15,000.00 per annum. This will leave for its proportion of bond interest and dividends \$17,574.99 or 4.15 per cent on the estimated cost of applicant's electric properties.

The company has not made in the past, and is not at the present time making any appropriation from income to offset the depreciation of its electric properties, although it is charging to operating expenses the depreciation of its transportation equipment and extraordinary repairs to its distribution system, which latter does not cover in any sense an amount equivalent to the annual deterioration of its properties.

These proceedings were submitted for decision with the understanding that certain statistical information relating to the telephone rates and business of applicant was to be filed later, and considered in evidence. Unavoidable delays have occurred in the preparation of these telephone statistics, and the desirability of placing in effect at an early date the electric rates hereinafter fixed has been established to the satisfaction of this commission, in a communication from applicant dated June 20, 1917.

In this opinion and order, therefore, I shall deal only with the issues affecting the electric rates and business of applicant, and reserve decision in the matter of telephone rates and service until a later date, at which time a supplemental opinion and order will be issued covering the telephone rates and business of applicant.

The rates in force for electric service have largely been handed down through the former constituent companies and vary somewhat in the several districts served.

If the applicant's electric rates in this instance were to be fixed on such basis as to yield the company theoretically an adequate return comparable with larger utilities, after the payment of all necessary operating expenses and depreciation, such a rate would be prohibitive to the consumers and would affect a material decrease in the company's business.

The lighting business is characterized by a large number of very small consumers, many of whom would not under any conditions use electricity to an amount in excess of a minimum charge. These people are enjoying the advantages of such service, but are not employing it to a sufficient extent to reduce the cost of serving them.

The problem of adjusting the electric rates of this company is one of removing discriminations and establishing uniformity and at the same time revising the existing rates so that the several classes of business connected will bear their equitable proportion of the cost of serving.

The gas and electric division of this commission has analyzed the electric business of this company and has given consideration to all the factors involved in connection with the readjustment of rates. From the evidence in this case I find the following rates to be fair and reasonable rates for electric service in the territory served by the California Telephone and Light Company:

SCHEDULE No. 1.

General Lighting Rate.

Based on the monthly consumption per meter.

10 cents per kilowatt hour for the first 100 kilowatt hours.

5 cents per kilowatt hour for all over 100 kilowatt hours.

NOTE.—Motors of 1 horsepower and less may be included in this schedule.

MINIMUM CHARGE.

Minimum monthly charge, \$1.50 per meter.

TERRITORY.

This rate applies in all territory served with the following exceptions:

Potter Valley District.

Russian River District south of and including Mills Station.

Sonoma Valley District south of and including Glen Ellen.

SCHEDULE No. 2.

General Lighting Rate.

Based on the monthly consumption per meter.

10 cents per kilowatt hour for the first 100 kilowatt hours.

5 cents per kilowatt hour for all over 100 kilowatt hours.

NOTE.—Motors of 1 horsepower and less may be included in this schedule.

MINIMUM CHARGE.

Minimum monthly charge, \$1.00 per meter.

TERRITORY.

This rate applies in the following territory:

Russian River District south of and including Mills Station.

Sonoma Valley District south of and including Glen Ellen.

SCHEDULE No. 3.

General Lighting Rate.

Based on the monthly consumption per meter.

10 cents per kilowatt hour for the first 100 kilowatt hours.

5 cents per kilowatt hour for all over 100 kilowatt hours.

NOTE.—Motors of 1 horsepower and less may be included in this schedule.

MINIMUM CHARGE.

Minimum monthly charge, 50 cents per meter.

NOTE.—As soon as 24-hour service is established the minimum charge shall be increased to \$1.50 per month.

Present hours of service, 7 to 12 o'clock a.m., 5 to 10 o'clock p.m.

TERRITORY.

This rate applies in the Potter Valley District only.

SCHEDULE No. 4.

Summer Cottage Lighting Rate.

For all territory served.

10 cents per kilowatt hour.

MINIMUM CHARGE.

\$9.00 in advance for six months service.

\$12.00 in advance for twelve months service.

SCHEDULE No. 5.**Sign Lighting Rate.**

For all territory served.

This special rate applies to electrical energy supplied for illuminated signs equipped with time clocks; bill to be computed on basis of hours of burning and number and size of lamps used.

RATE.

7 cents per kilowatt hour.

SCHEDULE No. 6.**Municipal Street Lighting.**

This schedule of rates applies to all street, highway and other public outdoor lighting and includes installation and all maintenance, operation and lamp renewals necessary for such service in all territory served.

All night schedule, 4,000 hours burning per annum.

RATE.

\$1.75 per month for each 40-watt or 60-candlepower lamp.

\$2.00 per month for each 60-watt or 80-candlepower lamp.

\$2.25 per month for each 80-watt or 100-candlepower lamp.

\$3.50 per month for each 150-watt or 250-candlepower lamp.

SCHEDULE No. 7.**General Power Rate.**

For all territory.

Based on the monthly consumption per meter.

6 cents per kilowatt hour for the first 15 kilowatt hours per horsepower installed.

3 cents per kilowatt hour for the next 30 kilowatt hours per horsepower installed.

2 cents per kilowatt hour for all over 45 kilowatt hours per horsepower installed.

DISCOUNT.

A discount of 10 per cent will be allowed if consumer owns transformers and is metered on primary side.

MINIMUM CHARGE.

Minimum monthly charge, \$1.00 per horsepower installed for one horsepower and over.

SCHEDULE No. 8.**Seasonal Power Rate.**

For all territory.

The following rate applies to electrical energy supplied for seasonal power purposes, i. e., wineries, water systems, irrigation, rock crushers, mines, summer resorts, etc.

RATE.

Based on the yearly consumption per horsepower installed.

Meters to be read and consumers billed monthly.

6 cents per kilowatt hour for the first 150 kilowatt hours per horsepower installed.

3 cents per kilowatt hour for the next 300 kilowatt hours per horsepower installed.

2 cents per kilowatt hour for all over 450 kilowatt hours per horsepower installed.

DISCOUNT.

A discount of 10 per cent will be allowed if consumer owns transformers and is metered on primary side.

MINIMUM CHARGE.

\$9.00 per horsepower per year, but not less than \$27.00 per year.

SCHEDULE No. 9.**Combination Cooking, Heating, Incubating, Brooding and Domestic Power Rate.**

For all territory.

Motors of 3 horsepower and under used for pumping, cutting, grinding, mixing and other domestic purposes may be installed under this rate, providing the cooking or other appliances have a rating of 3 kilowatts or more.

RATE.

Based on the monthly consumption per meter.

4 cents per kilowatt hour for the first 50 kilowatt hours.

3 cents per kilowatt hour for the next 50 kilowatt hours.

2 cents per kilowatt hour for the next 100 kilowatt hours.

1½ cents per kilowatt hour for all over 200 kilowatt hours.

MINIMUM CHARGE.

\$1.00 per month for the first 5 kilowatts installed, exclusive of motors.

\$1.00 per month for each additional 1 kilowatt installed, exclusive of motors, plus \$1.00 per horsepower of motors installed.

SCHEDULE No. 10.**Primary Service Rate.**

For all territory served.

This rate applies to electrical energy supplied at primary voltage where consumer owns and maintains his own distribution system and transformers; all energy to be measured at primary voltage at point where consumer's line connects with the company's line.

RATE.

Based on the monthly consumption per horsepower of the total connected load.

5.0 cents per kilowatt hour for the first 15 kilowatt hours per horsepower.

2.5 cents per kilowatt hour for the next 30 kilowatt hours per horsepower.

1.5 cents per kilowatt hour for all over 45 kilowatt hours per horsepower.

MINIMUM CHARGE.

Minimum yearly charge, \$9.00 per horsepower of the total connected load; provided the connected load is in excess of 75 horsepower, the minimum yearly charge shall be based on a connected load of 75 horsepower.

Several of the new rates herein established are of such form as to encourage the addition of business, principally in connection with seasonal power, and to enable the company to build up its business in this direction. Several of the rates are of such form as will slightly increase the bills of certain consumers, some of whom may not continue the service under these conditions so that the net effect of these new rate schedules will not materially affect the present revenue of the company. Applicant's future lies entirely in the intensive development

of the territory it occupies to the greatest extent that such development, from a standpoint of utility service, is possible.

The existing electric rates of the applicant company have not been uniformly applied throughout its territory. A large number of deviations from filed schedules are in effect, having been continued from the former constituent companies as they existed prior to the consolidations in 1912 and 1913. It is the purpose of this opinion and order to remove all such deviations from regular nondiscriminatory rate schedules, with the exception of certain large contracts in force, namely, between the applicant company and the city of Cloverdale for energy supplied to the municipal pumping plant; between applicant and the city of Healdsburg for off-peak power for the municipal lighting plant; between the applicant company and the Glen Ellen State Home for its power supply.

I submit the following form of order:

ORDER.

Public hearings having been held in the above-entitled proceedings and said proceedings having been submitted and now being ready for disposition in so far as the electric service and rates of the applicant are concerned, the Railroad Commission hereby makes the following findings of fact:

(1) The Railroad Commission finds that the electric rates, rules, regulations and practices of the California Telephone and Light Company are unjust and unreasonable in so far as they differ from the rates, rules, regulations and practices herein established.

(2) The Railroad Commission finds that the rates, rules, regulations and practices herein established are just and reasonable rates, rules, regulations and practices.

Basing its order on the foregoing findings of fact and on each statement of fact contained in the opinion which precedes this order, it is hereby ordered as follows:

(1) California Telephone and Light Company is hereby ordered to establish and file with the Railroad Commission of the state of California on or before July 10, 1917, the rates for the respective classes of service specified in the opinion herein as Schedules 1-10, inclusive, which rates are found to be just and reasonable rates.

(2) California Telephone and Light Company is hereby directed to prepare and file with the Railroad Commission of the state of California on or before July 10, 1917, rules and regulations for the service of electricity in its territory which shall be acceptable to the commission.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-eighth day of June, 1917.

DECISION No. 4434.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER AUTHORIZING IT TO PURCHASE AN ELECTRIC DISTRIBUTING SYSTEM AT BEVERLY HILLS, AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2864.

IN THE MATTER OF THE APPLICATION OF BEVERLY HILLS UTILITIES COMPANY FOR AN ORDER AUTHORIZING IT TO SELL AN ELECTRIC DISTRIBUTING SYSTEM AT BEVERLY HILLS, CALIFORNIA, TO SOUTHERN CALIFORNIA EDISON COMPANY.

Application No. 2871.

Decided June 29, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Southern California Edison Company having filed with this commission, in accordance with the order heretofore made on June 6, 1917, a stipulation stating that neither it, its successors nor assigns will claim before the Railroad Commission or any court or other public body a value for the rights and privileges conferred by Ordinance No. 32 of the city of Beverly Hills in excess of the original cost of acquiring said rights and privileges, which cost is represented to be \$500.00,

It is hereby ordered that said stipulation be and the same is hereby approved.

Dated at San Francisco, California, this twenty-ninth day of June, 1917.

DECISION No. 4435.

IN THE MATTER OF THE APPLICATION OF LAWDALE LAND AND WATER COMPANY TO PURCHASE THE WATER SYSTEM OF LAWDALE WATER COMPANY; TO ISSUE STOCK; TO MORTGAGE ITS PROPERTY; TO ISSUE BONDS, AND TO CHANGE ITS RATES FROM A FLAT BASIS TO A METER BASIS; AND OF LAWDALE WATER COMPANY TO SELL ITS WATER SYSTEM.

Applications Nos. 370, 426.

Decided June 29, 1917.

BY THE COMMISSION.

ORDER TERMINATING AUTHORITY TO ISSUE BONDS.

It is hereby ordered that the authority heretofore given Lawndale Land and Water Company to issue stock and bonds by order made herein on May 9, 1913, be and the same hereby is terminated.

Dated at San Francisco, California, this twenty-ninth day of June, 1917.

DECISION No. 4436.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE CREATION OF A TEN-YEAR SIX PER CENT NOTE INDEBTEDNESS, THE SECURING THE SAME BY TRUST INDENTURE AND THE ISSUE OF SAID NOTES OF THE PAR VALUE OF ONE MILLION FIVE HUNDRED SIXTY-FOUR THOUSAND DOLLARS.

Application No. 2711.

Decided July 2, 1917.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Good cause appearing therefor,

It is hereby ordered that the provision of the second supplemental order, dated June 14, 1917, in the above-entitled proceeding, now reading:

“To reimburse applicant’s treasury \$116,993.14.”

be and the same is hereby changed to read as follows:

“To reimburse applicant’s treasury \$115,545.14.”

It is hereby further ordered that in all other respects the order of June 14, 1917, shall remain in full force and effect.

Dated at San Francisco, California, this second day of July, 1917.

Decision No. 4437, grade crossing; not printed. See end of volume.

DECISION No. 4438.

IN THE MATTER OF THE APPLICATION OF VALLEJO ELECTRIC LIGHT AND POWER COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE FRANCHISE RIGHTS GRANTED TO IT IN THE COUNTY OF SOLANO.

Application No. 2945.

Decided July 3, 1917.

Applicant granted a certificate permitting the exercise of rights under a franchise obtained from the county of Solano permitting the construction and operation of an electrical distributing system in portions of said county adjacent to the city of Vallejo, provided a stipulation be filed to the effect that no value shall be claimed for such franchise in excess of the actual original cost thereof.

Frank E. Powers, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application for certificate of public convenience and necessity to exercise franchise rights granted to applicant by the county of Solano.

Applicant has for a long time past served electric energy in the city of Vallejo and now is extending its service beyond the city limits into certain portions of the county of Solano. It serves about 3,200 consumers in all.

On or about February 5, 1917, applicant applied to the board of supervisors of Solano County for a franchise to use the streets, which was granted to it by Ordinance No. 92 of the county of Solano, adopted April 2, 1917. Applicant's bid therefor was \$100.00 and the cost of advertising was \$96.25.

The franchise grants to applicant the right and privilege for fifty years to erect, construct, maintain and operate over, along, across and under the roads, highways, public ways, streets and lanes of the county, pole and wire lines, or lines in conduits, for the purpose of supplying electric energy for light, heat and power. The compensation to the county is to be 2 per cent of the gross revenue derived under the franchise after five years from its date, payment to be made annually.

Applicant does not ask certificate of public convenience and necessity for the entire county but only for that portion contiguous to the city of Vallejo described at length in the order. It was serving the public in the city of Vallejo prior to the adoption of the Public Utilities Act.

Great Western Power Company and Pacific Gas and Electric Company have transmission lines across the territory in question. Both were notified of the hearing but neither appeared. Applicant filed a written stipulation made by Pacific Gas and Electric Company to the effect that it had no objection to the granting of the application. The latter company serves the Sperry Mill in Vallejo, which service it is expected to continue. Great Western Power Company serves within the specified territory outside of the city of Vallejo, the Dos Reis Ranch, Phillip Steffan slaughterhouse, Mrs. A. Armstrong and William Hauhuth, which service it is expected to continue.

Applicant has about twenty-five unfilled written applications for service, mostly from the county territory in question.

ORDER.

Vallejo Electric Light and Power Company having applied for an order substantially as hereinafter contained, and a public hearing having been held thereon and the commission being fully advised in the premises, the Railroad Commission of California hereby declares that public convenience and necessity require the exercise by Vallejo Electric Light and Power Company of the rights and privileges conferred by Ordinance

No. 92 of the county of Solano, adopted April 2, 1917, within the territory described in the application as follows:

All that portion of said county of Solano lying north and east of Napa Bay, Mare Island Straits and the Straits of Carquinez and situated without the corporate limits of said city of Vallejo and within the following described boundary lines indicated in yellow on map filed with application as Exhibit A.

Beginning at the intersection of the easterly shore line of Napa Bay and the north lines of Section 11 T. 3 N., R. 4 W., M. D. M., thence easterly along the north lines of Sections 11 and 12 T. 3 N., R. 4 W., M. D. M., and the north lines of Sections 7 and 8, T. 3 N., R. 3 W., M. D. M., a distance of 14,830 feet more or less to the intersection of the north line of Sec. 8, T. 3 N., R. 3 W., and the erect line of the property of W. E. Corcoran, thence southerly along the east line of the properties of W. E. Corcoran and F. M. Silva a distance of 2640 feet more or less to the southeast corner of the property of F. M. Silva a distance of 300 feet more or less to the northeast corner of the property of J. P. Hanns, thence southerly along the east line of the property of J. P. Hanns and J. Downs, a distance of 6200 feet more or less to the south line of County Road No. 91 in Section 17, T. 3 N., R. 3 W., M. D. M., thence westerly along the south line of said county road a distance of 210 feet more or less to the northeast corner of Hilton's 1st Addition, thence southerly along the east line of Hilton's 1st Addition and the properties of P. Steffan and B. B. Steffan a distance of 2170 feet more or less to the southeast corner of the property of B. B. Steffan, thence westerly along the south line of the property of B. B. Steffan a distance of 70 feet more or less to the northeast corner of the property of Phillip Steffan, thence southerly along the east line of the properties of Phillip Steffan and the M. H. Eastman Estate a distance of 2400 feet more or less to the northerly line of County Road No. 78 in Sec. 20, T. 3 N., R. 3 W., M. D. M., thence due south 9300 feet more or less to an intersection with the Pierhead Line on the northerly side of the Straits of Carquinez,

provided that the Railroad Commission shall first have made its supplemental order herein declaring that Vallejo Electric Light and Power Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors, in form satisfactory to the Railroad Commission, declaring that Vallejo Electric Light and Power Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for said rights and privileges in excess of the actual cost to it of acquiring said rights and privileges, which cost is represented by said Vallejo Electric Light and Power Company to have been \$196.25.

Dated at San Francisco, California, this third day of July, 1917.

DECISION No. 4439.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUANCE OF DEBENTURES AND THE EXECUTION OF AN AGREEMENT SECURING THE SAME.

Application No. 2975.

Decided July 3, 1917.

Applicant authorized to issue \$298,000.00 face value of debentures to be sold at not less than 90, proceeds of \$227,000.00 face value to be used to pay off notes and open accounts, \$26,000.00 face value for working capital and \$45,000.00 face value to reimburse treasury covering amounts expended for proper capital purposes.

Applicant has not as yet established a depreciation fund, accordingly the present permission to issue debentures is conditioned upon the transfer of \$50,000.00 from accrued surplus to reserve for depreciation and applicant is also required to hereafter apply a like amount annually to the same fund.

Hunsaker & Britt and Le Roy M. Edwards, by Le Roy M. Edwards, and J. Harold Jaucway, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

In its amended petition herein, Southern Counties Gas Company of California asks authority to issue at not less than 90 per cent of their face value plus accrued interest \$400,000.00 face value of its 6 per cent ten-year debentures and to use the proceeds for the following purposes:

(a) To reimburse applicant's treasury for capital expenditures between February 1, 1916, and April 30, 1917-----	\$150,034 03
(b) To reimburse applicant's treasury for materials and supplies on hand -----	135,164 97
(c) To reimburse applicant's treasury for reorganization expenses....	24,679 40
(d) To reimburse applicant's treasury for money expended in the purchase of the Ontario-Upland Gas Company's properties.....	39,000 00
(e) Balance for working capital-----	11,121 60
Total -----	\$360,000 00

Applicant also asks authority to execute to Central Trust Company of Illinois a debenture agreement in substantially the same form as the agreement attached to the application and marked Exhibit "B."

In so far as applicant has incurred indebtedness for capital purposes, the order will provide for the issue of debentures to pay or refund such debt rather than reimburse the treasury. Reference will hereafter be made to the reorganization expense and issue of debentures to pay in part for the properties of Ontario-Upland Gas Company.

On April 30, 1917, Southern Counties Gas Company of California reported assets and liabilities as follows:

Assets.

Capital assets:

Intangible capital—

Organization rights and franchises.....	\$36,251	82
Franchises since February 1, 1916.....	980	35

Total intangible capital..... \$37,232 17

Tangible capital—

Baehr's inventory 2/1/16.....	\$3,121,774	27
Additions since	583,523	68

Total tangible capital..... 3,705,297 95

Total fixed capital.....\$3,742,530 12

Current assets:

Materials and supplies.....	\$150,183	30
Accounts receivable	81,554	81
Deposits and municipalities.....	1,426	70
Cash on hand and in bank.....	25,873	87

Total current assets..... 259,038 68

Deferred charges:

Discount on stock	\$758,505	76
Unamortized discount on bonds.....	106,258	94
Reorganization expenses	24,679	40
Taxes, insurance, etc.....	16,964	20

Total deferred charges..... 906,408 30

Total assets\$4,907,977 10

Liabilities.

Capital stock, common.....\$1,500,000 00

Funded debt:

First mortgage 5½ per cent twenty-year sinking fund gold bonds,
dated May 1, 1916..... 2,811,500 00

Current liabilities:

Notes payable	\$125,796	55
Accounts payable	233,200	09
Consumers' deposits	42,152	83
Interest accrued	1,277	31
Insurance accrued	1,400	00

Total current liabilities..... 403,826 78

Reserves:

Reserve for inventory.....	\$5,922	02
Reserve for contingencies.....	12,781	51

Total reserves 18,703 53

Surplus:

Capital surplus, appreciation property value.....	\$76,963	60
Earned surplus	96,983	19

Total surplus 173,946 79

Total liabilities\$4,907,977 10

For the calendar years 1915 and 1916, applicant has reported to the commission revenues and expenses as follows:

Item	1915	1916
Operating revenue	\$248,993 86	\$534,243 55
Operating expenses	173,128 12	375,480 64
Net operating revenue.....	\$75,865 74	\$158,762 91
Nonoperating revenue:		
Rents	\$4,812 15	\$6,093 19
Miscellaneous	2,386 36	361 14
Totals	\$7,198 51	\$6,454 33
Gross corporate income.....	\$83,064 25	\$165,217 24
Deductions:		
Interest on funded debt.....	\$42,030 05	\$99,394 66
Other interest	8,691 08	6,756 74
Uncollectible bills	718 30	2,999 18
Amortization of debt discount.....	6,088 02	6,170 74
Miscellaneous deductions		124 14
Total deductions	\$57,527 45	\$115,445 46
Net income for year.....	\$25,536 80	\$49,771 78

The large increase in earnings for 1916 as compared with 1915 is the result of the acquisition of the properties of Long Beach Consolidated Gas Company and the gas properties of Southern California Edison Company.

The operating expenses include no allowance for depreciation, to which reference is made below.

Applicant estimates that its net earnings during the current year will exceed its net earnings for 1916 by \$60,000.00.

On April 30, 1917, applicant reported accounts payable \$233,200.09, notes payable \$125,796.55, total \$358,996.64. Between April 30, 1917, and May 23, 1917, applicant through payment reduced its accounts payable to \$162,522.46. Of the unpaid accounts \$156,064.09 and of the paid accounts, \$26,173.73, applicant reports represent capital expenditures. It further reports that notes in the sum of \$48,296.55 represent funds entirely expended for capital purposes; while as to \$77,500.00 borrowed from various banks, it is unable to state what portion was expended for operating and what portion for capital purposes.

I believe that applicant should be allowed to issue a sufficient amount of debentures at not less than 90 per cent of their face value plus accrued interest, to pay or refund the debt representing entirely capital expenditure; in other words, the \$156,064.09 open accounts, and notes in the sum of \$48,296.55. This would call for the issue of debentures in the

sum of \$227,000.00. The indebtedness to be paid is listed in Exhibit "I" attached hereto.

Inasmuch as applicant reports that between April 30, 1917, and May 23, 1917, it paid open accounts representing capital expenditures in the sum of \$26,173.73, I believe that applicant should be permitted to issue \$26,000.00 debentures for general working capital.

On April 30, 1917, applicant reported an earned surplus of \$96,983.19. The entire amount, applicant reports, has been invested in plant.

The reproduction cost less depreciation of applicant's tangible property on February 1, 1916, is reported, as shown in the foregoing balance sheet, at \$3,121,774.27. Applicant has no reserve for accrued depreciation, nor has it since February 1, 1916, included in its operating expenses, any charges because of depreciation. The surplus, therefore, includes the amount which should have been set aside for depreciation. This, I believe, is an opportune time for applicant to place itself upon a sound financial basis. With that in view, I recommend that applicant be directed to transfer to a reserve for accrued depreciation not less than \$50,000.00 of its earned surplus, and hereafter, unless otherwise ordered by the commission, apply annually at least \$50,000.00 of its earnings to depreciation. This will leave \$46,983.19 credit to surplus, but which has been used for capital expenditures. Allowing \$1,983.19 for adjustments, applicant should be permitted to issue \$45,000.00 debentures to reimburse its treasury. The issue of the \$45,000.00 of debentures is upon the understanding that the proceeds will be used to discharge current obligations and not for the purpose of paying dividends.

Applicant asks that it be permitted to reimburse its treasury for reorganization expenses in the sum of \$24,679.40. This is the remainder of the \$28,000.00 reorganization expense, which the commission by its decision of October 2, 1916, held should not be capitalized. Since then, applicant has been granted permission to amortize the reorganization expense in five years, and that matter may be considered settled.

Applicant alleges that on April 30, 1917, it had on hand materials, supplies and merchandise representing a cost of \$150,183.30, of which \$135,164.97 will be used for the purpose of permanent extensions, additions and betterments and the development of its business. The evidence shows that under the existing conditions the amount of materials, supplies and merchandise on hand is not excessive.

As the materials and supplies are incorporated in its system, and the merchandise sold, which in effect constitutes working capital, they will be replaced with other materials, supplies and merchandise. It is only in view of applicant's willingness to do this that I recommend the issue of debentures to pay notes and open accounts representing materials, supplies and merchandise, and for working capital.

The issue of debentures to pay in part for the Ontario-Upland Gas Company properties should, I believe, be held in abeyance.

The debentures which applicant proposes to issue do not constitute a lien on any property. They are in effect ten-year 6 per cent promissory notes to be issued under the terms and conditions of a proposed debenture agreement to be executed to Central Trust Company of Illinois. All or any part of the debentures may be redeemed on any interest payment date at 101. The testimony shows that Southern Counties has no intention of calling for redemption the debentures within the next few years. If it has funds available to redeem debentures, it will purchase them in the open market at the then prevailing market price.

I herewith submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to issue \$400,000.00 ten-year 6 per cent debentures and for authority to execute a debenture agreement pursuant to which the debentures are to be issued, and a hearing having been held and it appearing to the commission that the money, property or labor to be procured or paid for by the issue of the debentures is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby authorized to execute to Central Trust Company of Illinois a debenture agreement substantially in the same form as the agreement attached to this application and marked Exhibit "B."

It is hereby further ordered that Southern Counties Gas Company of California be and it is hereby authorized to issue \$298,000.00 of its ten-year 6 per cent debentures due and payable May 1, 1927.

The authority herein granted is granted subject to the following conditions, and not otherwise:

1. Applicant shall realize in cash from the sale of the debentures not less than 90 per cent of their face value plus accrued interest.

2. The proceeds from the sale of \$227,000.00 of debentures shall be used to pay open accounts and notes payable, set forth in Exhibit "I" attached hereto.

3. The proceeds from the sale of \$26,000.00 of the debentures shall be used for working capital.

4. The proceeds from the sale of \$45,000.00 of debentures shall be used to reimburse applicant's treasury for moneys expended for capital purposes.

5. On or before the twenty-fifth day of each month, applicant shall file with the commission a statement showing by districts the cost of materials, supplies and merchandise on hand at the close of the preceding month, and be prepared when called upon to furnish the commission with an inventory of said materials, supplies and merchandise.

6. The approval herein given of said debenture agreement is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said debenture agreement as to such other legal requirements to which said debenture agreement may be subject.

7. Southern Counties Gas Company of California, before issuing any of the debentures hereby authorized to be issued, shall transfer to reserve for accrued depreciation at least \$50,000.00 of its earned surplus, and thereafter, unless otherwise ordered by this commission, apply annually not less than \$50,000.00 of its earnings to depreciation.

8. Southern Counties Gas Company of California shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the debentures herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said debentures during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

9. The authority hereby granted to issue debentures shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

10. The authority hereby granted to issue debentures shall apply only to such debentures as may be issued on or before December 31, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of July, 1917.

EXHIBIT "I."

Southern Counties Gas Company of California may use \$227,000.00 of debentures authorized to be issued by the foregoing decision to pay or refund the following notes and accounts payable:

NOTES PAYABLE.

In favor of—	Date of note	Date due	Per cent	Amount
H. R. Boynton Company, Los Angeles.....	2/19/17	5/20/17	6	\$11,618 20
California National Supply Co., Los Angeles.....	2/20/17	5/21/17	7	2,562 61
Pacific Meter Co., San Francisco.....	3/12/17	6/12/17	6	6,400 34
Hoffman Heater Co., Lorain, Ohio.....	3/15/17	6/13/17	6	3,288 60
Eclipse Gas Stove Co., Rockford, Ill.....	3/19/17	6/17/17	6	5,071 78
H. R. Boynton Company, Los Angeles.....	3/21/17	6/19/17	6	4,282 20
Murphy & Dillon, Los Angeles.....	1/ 2/17	7/ 1/17	5	5,000 00
Murphy & Dillon, Los Angeles.....	1/ 2/17	7/ 1/17	5	5,000 00
Pacific Meter Co., San Francisco.....	3/12/17	7/12/17	6	5,072 82

ACCOUNTS PAYABLE.

15458	April,	1917—A. B. Stove Company.....		\$38 00
14929	March,	1917—Barker Brothers		60 05
15060	March,	1917—The Beacon Light Company.....	\$21 47	
15479	April,	1917—The Beacon Light Company.....	36 27	
				57 74
14223	January,	1917—H. R. Boynton Company.....	\$526 91	
14164	February,	1917—H. R. Boynton Company.....	2,810 57	
15041	March,	1917—H. R. Boynton Company.....	9,650 63	
15261	April,	1917—H. R. Boynton Company.....	743 15	
				13,731 26
14928	March,	1917—The Braun Corporation	\$137 93	
15515	April,	1917—The Braun Corporation	124 55	
				262 48
15257	April,	1917—Bren Machine Works		919 81
14621	February,	1917—California National Supply Co.,	\$2,316 31	
15042	March,	1917—California National Supply Co.,	1,961 31	
15176	April,	1917—California National Supply Co.,	1,016 65	
				5,294 27
15165	April,	1917—Century Stove and Mfg. Co.....	\$179 40	
15478	April,	1917—Century Stove and Mfg. Co.....	833 90	
				1,013 30
15317	April,	1917—George S. Clarke & Co.....		49 63
15069	March,	1917—Crane Company	\$2,742 94	
15507	April,	1917—Crane Company	2,310 67	
				5,053 61
15158	April,	1917—Detroit Graphite Company.....		368 75
15085	March,	1917—Eclipse Gas Stove Company.....	\$231 39	
15455	April,	1917—Eclipse Gas Stove Company.....	79 02	
				310 41
15521	April,	1917—George S. Flintoft.....		532 30
14638	February,	1917—W. P. Fuller & Company.....	\$649 24	
15079	March,	1917—W. P. Fuller & Company.....	132 52	
15467	April,	1917—W. P. Fuller & Company.....	440 71	
				1,222 47
14152	January,	1917—General Gas Light Company.....	\$1,279 65	
15044	March,	1917—General Gas Light Company.....	1,591 52	
15068	March,	1917—General Gas Light Company.....	2,525 79	
15522	April,	1917—General Gas Light Company.....	2,276 03	
				7,672 99
15070	March,	1917—James Graham Mfg. Company.....	\$1,316 86	
15185	April,	1917—James Graham Mfg. Company.....	572 32	
				1,889 18

ACCOUNTS PAYABLE—Continued.

14220	January,	1917—Harper & Reynolds Company.....	\$791 27	
14641	February,	1917—Harper & Reynolds Company.....	1,619 39	
15040	March,	1917—Harper & Reynolds Company.....	854 25	
15518	April,	1917—Harper & Reynolds Company.....	1,139 98	4,404 89
15056	March,	1917—The Hoffman Heater Company....	\$262 75	
15461	April,	1917—The Hoffman Heater Company....	517 75	
15071	March,	1917—Humphrey Company	\$325 18	780 50
15516	April,	1917—Humphrey Company	43 75	
14961	March,	1917—Keystone Iron Works.....	\$127 05	368 93
15263	April,	1917—Keystone Iron Works.....	13 50	
15084	March,	1917—Kierulff & Company.....	\$504 99	140 55
15251	April,	1917—Kierulff & Company.....	141 68	
13504	December,	1916—Maryland Meter Works.....		646 67
14218	January,	1917—H. Mueller Mfg. Company.....	\$788 58	352 00
14640	February,	1917—H. Mueller Mfg. Company.....	1,416 76	
15077	March,	1917—H. Mueller Mfg. Company.....	3,933 13	
15477	April,	1917—H. Mueller Mfg. Company.....	1,916 14	8,081 61
15469	April,	1917—Pacific Hardware and Steel Co.....		256 00
12885	October,	1916—Pacific Meter Company.....	\$3,363 21	
13307	November,	1916—Pacific Meter Company.....	3,327 61	
13753	December,	1916—Pacific Meter Company.....	159 36	
14209	January,	1917—Pacific Meter Company.....	2,340 12	
14591	February,	1917—Pacific Meter Company.....	2,092 77	
15080	March,	1917—Pacific Meter Company.....	3,245 75	
15523	April,	1917—Pacific Meter Company.....	4,436 39	18,965 24
15473	April,	1917—Perfection Gas Regulator Co.....		525 00
15177	April,	1917—Pike Automobile and Wagon Works.....		525 70
14367	February,	1917—Pittsburgh Meter Company.....	\$784 80	
14967	March,	1917—Pittsburgh Meter Company.....	675 00	
15153	April,	1917—Pittsburgh Meter Company.....	352 50	
15475	April,	1917—Pittsburgh Meter Company.....	352 50	2,164 80
14965	March,	1917—Pittsburgh Water Heater Co.....	\$415 18	
15262	April,	1917—Pittsburgh Water Heater Co.....	240 39	655 47
14137	January,	1917—Reliable Stove Company.....	\$251 40	
14514	February,	1917—Reliable Stove Company.....	53 10	
15012	March,	1917—Reliable Stove Company.....	59	305 09
14973	March,	1917—Reliance Gas Regulator and Machine Co....		286 85
15480	April,	1917—Reynolds Gas Regulator Co.....		230 00
15520	April,	1917—Rund Manufacturing Company.....		558 00
13322	November,	1916—Sprague Meter Company.....	\$339 67	
13730	December,	1916—Sprague Meter Company.....	7 20	
14198	January,	1917—Sprague Meter Company.....	705 45	
14592	February,	1917—Sprague Meter Company.....	1,254 52	
15082	March,	1917—Sprague Meter Company.....	1,169 62	
15506	April,	1917—Sprague Meter Company.....	1,360 75	4,837 21
11225	January,	1917—Welsbach Company	\$1,337 12	
14596	February,	1917—Welsbach Company	46 56	
15081	March,	1917—Welsbach Company	724 96	
15483	April,	1917—Welsbach Company	301 51	2,410 15

ACCOUNTS PAYABLE Continued.

1545-B April,	1917 Youngstown Sheet and Tube Co.,	\$5,467 38	
1545-C April,	1917 Youngstown Sheet and Tube Co.,	4,732 18	
1545-D April,	1917 Youngstown Sheet and Tube Co.,	5,296 35	
1545-E April,	1917 Youngstown Sheet and Tube Co.,	4,342 57	
			19,748 48
		Southern Counties Gas Securities Co.,	51,312 49

Decision No. 4440, grade crossing; not printed. See end of volume.

DECISION No. 4441.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF LINCOLN NORTHERN RAILWAY COMPANY TO CENTRAL PACIFIC RAILWAY COMPANY.

Application No. 2904.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF COAST LINE RAILWAY COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2905.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF HANFORD AND SUMMIT LAKE RAILWAY COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2906.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF OROVILLE AND NELSON RAILROAD COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2907.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF COLUSA AND HAMILTON RAILROAD COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2908.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL THE PROPERTIES OF MOJAVE AND BAKERSFIELD RAILROAD COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2909.

Decided July 5, 1917.

1. Corporations incurring expenditures consisting of the purchase of mere projected railroad lines, which it is more than likely will never be built, can not expect a return thereon until the projects are completed and an operating property exists. If the enterprise does not progress beyond the project stage, the expenditures will represent a loss.
2. Should the commission permit expenditures for mere projects, which by themselves are not entitled to a return as operating utilities, to enter into the capital account of an operating property, such expenditures would thereby inherit the right to a return the same as other tangible property represented by the capital account; accordingly unprofitable expenditures made in behalf of a subsidiary company should be written off in the profit and loss account.

3. Permission to transfer various railroad properties granted, provided that such transfers shall not become effective until the purchasing companies shall have filed, for the approval of the commission, an inventory of the properties authorized to be sold and a statement showing how the investment in the various properties and the purchase price paid therefor shall be entered upon the records of the purchasing companies, and also provided that the consideration given in exchange for such properties shall not be binding upon the commission or any other public body as representing for rate-fixing or other purposes, the value of the property transferred.

Guy V. Shoup, for Applicants.

DEVLIN, Commissioner.

OPINION.

The above-entitled applications were consolidated for hearing and decision.

In Application No. 2904, Lincoln Northern Railway Company, organized in March, 1907, asks authority to sell and transfer its properties, described in the indenture attached hereto and marked Exhibit One, to Central Pacific Railway Company for \$16,087.63 cash, plus the assumption of an indebtedness amounting to \$23,906.33, making a total consideration of \$39,993.96.

In Application No. 2905, Coast Line Railway Company, organized in April, 1905, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit Two, to Southern Pacific Railroad Company for \$10,565.12 in cash and the assumption of bonded indebtedness and accrued interest thereon amounting to \$707,000.00, making a total consideration of \$717,665.12.

In Application No. 2906, Hanford and Summit Lake Railway Company, organized in June, 1910, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit Three, to Southern Pacific Railroad Company for \$58,305.26 in cash plus the assumption of an indebtedness amounting to \$721,961.47, making a total consideration of \$780,266.73.

In Application No. 2907, Oroville and Nelson Railroad Company, organized in January, 1907, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit Four, to Southern Pacific Railroad Company for \$17,392.65 in cash plus the assumption of an indebtedness amounting to \$11,620.43, making a total consideration of \$29,013.08.

In Application No. 2908, Colusa and Hamilton Railroad Company, organized in July, 1911, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit Five, to Southern Pacific Railroad Company for \$70,595.79, plus the assumption of an indebtedness of \$1,739,332.09, making a total consideration of \$1,809,927.88.

In Application No. 2909, William Sproule, W. R. Scott and E. O. McCormick, trustees of Mojave and Bakersfield Railroad Company,

organized in October, 1910, ask authority to sell its properties described in the indenture attached hereto and marked Exhibit Six, to Southern Pacific Railroad Company for a cash payment of \$40,320.04.

All of the subscribed and issued capital stock, except shares necessary to qualify directors, of the aforementioned companies which desire to sell their properties, is owned by the Southern Pacific Company, which in turn owns all of the stock, except shares necessary to qualify directors, of the Southern Pacific Railroad Company and Central Pacific Railway Company.

Authority to sell and transfer the properties is desired at this time because of certain provisions of the Clayton Anti-Trust Act, and for the purpose of economy in operation and accounting.

The purpose of organizing the corporations, which now desire to sell their properties, was to construct lines of railway connecting the following points:

Name of company	Miles	Terminal	
		From —	To —
1. Lincoln Northern	11.200	Lincoln, Placer Co.	Dairy Farm Mine, Placer Co.
2. Coast Line	11.906	Santa Cruz, Santa Cruz Co.	Davenport, Santa Cruz Co.
3. Hanford and Summit Lake	42.079	Hardwick, Kings Co.	Ingle, Fresno Co.
4. Oroville and Nelson	13.000	Oroville, Butte Co.	Nelson, Butte Co.
5. Colusa and Hamilton	61.23	Harrington, Colusa Co.	Hamilton, Glenn Co.
6. Mojave and Bakersfield...	85.000	Mojave, Kern Co.	Bakersfield, Kern Co.

The Coast Line Railway Company and Hanford and Summit Lake Railway Company have completed their roads and are now being operated by the Southern Pacific Company. Of the projected line of the Colusa and Hamilton Railroad Company, 46.659 miles are partially completed and being operated, though not turned over to the operating department. None of the other corporations have done any actual construction work.

The assets and liabilities of the various companies, as of December 31, 1916, are reported as follows:

Lincoln Northern Railway Company.

Assets:

Cost of road and franchises	\$21,603 60
Interest on construction advances, in suspense	13,502 73

Total assets \$35,106 33

Liabilities:

Capital stock \$11,200 00

Long term debt:

Due Southern Pacific Company	\$35,106 33
Less Southern Pacific deposit	11,200 00
	23,906 33

Total liabilities \$35,106 33

Coast Line Railway Company.**Assets:**

Cost of road and franchises-----	\$713,776	28
Additions and betterments-----	3,888	84
Investment in affiliated companies:		
Southern Pacific Company-----	\$7,407	47
Southern Pacific Company, deposit-----	124,138	63
	<hr/>	131,546 10
Discount on capital stock-----	816,237	89
Discount on funded debt-----	54,833	33
	<hr/>	
Total assets-----	\$1,720,282	44

Liabilities:

Capital stock-----	\$1,000,000	00
First mortgage 6 per cent bonds-----	700,000	00
Interest accrued but not due-----	7,000	00
Surplus-----	13,282	44
	<hr/>	
Total liabilities-----	\$1,720,282	44

Hanford and Summit Lake Railway Company.**Assets:**

Construction cost-----	\$780,266	73
Accounts receivable:		
Chas. King, bonus collected by-----	\$25,970	23
Bonus collectible for construction of road-----	45,043	19
	<hr/>	71,013 42
Total assets-----	\$851,280	15

Liabilities:

Capital stock-----	\$50,000	00
Long term debt, advances:		
Due Southern Pacific Company-----	721,751	47
Deferred liabilities-----	71,223	42
Deferred payments on bonus agreements-----	\$35,611	71
Chas. King, deferred payments on bonus agreement---	35,611	71
Surplus-----	8,305	16
	<hr/>	
Total liabilities-----	\$851,280	15

Oroville and Nelson Railroad Company.**Assets:**

Cost of road and franchises-----	\$16,490	82
Interest on construction advances, in suspense-----	8,129	61
	<hr/>	
Total assets-----	\$24,620	43

Liabilities:

Capital stock-----	\$13,000	00
Long term debt:		
Due Southern Pacific Company-----	\$24,620	43
Less Southern Pacific Company deposit-----	13,000	00
	<hr/>	11,620 43
Total liabilities-----	\$24,620	43

Colusa and Hamilton Railroad Company.**Assets:**

Cost of road and franchises.....	\$1,608,208 47
Interest on construction advances, in suspense.....	192,123 62
Total assets	\$1,800,332 09

Liabilities:

Capital stock	\$61,000 00
Long term debt:	
Due Southern Pacific Company.....	\$1,800,332 09
Less Southern Pacific Company, deposit.....	61,000 00
	1,739,332 09
Total liabilities	\$1,800,332 09

Mojave and Bakersfield Railroad Company.**Assets:**

Cost of road and franchises.....	\$34,514 29
Southern Pacific Company, deposit.....	\$85,000 00
Less investment in Southern Pacific Company.....	31,545 32
	53,545 68

Total assets	\$87,968 97
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Liabilities:

Capital stock	\$85,000 00
Interest on construction advances, in suspense.....	2,968 97
Total liabilities	\$87,968 97

The investment in the various roads, as of December 31, 1916, the consideration to be paid and the excess of the consideration over the investment is shown by the following table:

Name	Investment by vendor companies, December 31, 1916	Consideration		Total	Excess of consideration over investment
		Cash	Debt assumed		
Lincoln Northern	\$21,603 60	\$16,087 63	\$23,906 33	\$39,993 96	\$18,390 36
Coast Line	713,776 28	10,665 12	707,000 00	717,665 12	3,888 84
Hanford and Summit Lake	780,266 73	58,305 26	721,961 47	780,266 73	
Oroville and Nelson...	16,490 82	17,392 65	11,620 43	29,013 08	12,522 26
Colusa and Hamilton	1,608,208 47	70,595 79	1,739,332 09	1,809,927 88	201,719 41
Mojave and Northern..	34,514 29	40,320 04		40,320 04	5,805 75
Totals.....	\$3,174,860 19	\$213,366 49	\$3,203,820 32	\$3,417,186 81	\$242,326 62

The Southern Pacific Company reports that its investment in the vendor companies consists of the following:

Lincoln Northern Railway Company.....	\$36,106 33
Coast Line Railway Company.....	689,216 01
Hanford and Summit Lake Railway Company.....	771,751 47
Oroville and Nelson Railroad Company.....	24,620 43
Colusa and Hamilton Railroad Company.....	1,800,332 09
Mojave and Bakersfield Railroad Company.....	31,545 32
Total	\$3,352,571 65

The reported investment by the Southern Pacific Company exceeds the investment by the vendor companies in the sum of \$177,711.46. The proposed purchase price exceeds the Southern Pacific Company's reported investment by the sum of \$64,615.16, and the reported investment by the vendor companies in the sum of \$242,326.62. It appears that the purchase price, as well as the investment by the Southern Pacific Company, covers the interest charged to construction and the interest carried in suspense. The former is reported at \$182,200.87 and the latter at \$213,755.96. Of the latter amount \$192,123.62 applies to the Colusa and Hamilton Railroad Company, whose road is in the process of construction; \$13,502.73 to Lincoln Northern Railway Company and \$8,129.61 to Oroville and Nelson Railroad Company.

In these applications, the commission is not asked to authorize the issue of securities to cover the purchase price of the properties. It is asked to authorize the sale and transfer of the properties for the considerations heretofore set forth.

The effect of the transaction will be this: The various charges to the capital accounts of the vendor companies, which now in part represent actual operating property; partly nonoperative property and partly no property at all; that is, lost expenditures; but which in every instance can be identified for what they are—will be incorporated into the general capital account of the purchasing companies, where all identity will be lost.

It is true that the individual amounts, and even the total amount of \$3,352,571.65, are relatively insignificant when compared with the total capital account of the purchasing companies and of the parent company. (The Southern Pacific Company's investment in road and equipment account as of June 30, 1916, is reported as over \$700,000,000.00.)

The principle involved in the transaction is of importance, however. The first sentence of the general instructions in the classification of accounts prescribed by the Interstate Commerce Commission for road and equipment accounts reads as follows:

“The accounts prescribed in this classification are designed to show the investment of the carrier in property devoted to transportation service.”

It is clear from the record in these cases that a considerable portion of the properties proposed to be purchased consists of mere projected railroad lines which it is more than likely will never be built. Separate corporations incurring expenditures for such projects can not, of course, expect any return as public utilities until the projects are completed and an operating property exists. If the enterprise does not progress beyond the project stage, the expenditures will represent a loss. This is elementary and applicable as a principle to all business; public utility and nonpublic utility alike.

If, however, this commission permits expenditures for mere projects, which by themselves would not be entitled to a return as utilities, to enter into the capital account of an operating property, then undoubtedly it would be urged that such expenditures will thereby inherit the right, under the law, to a return exactly as all other tangible property represented by the capital account.

In fact, the evil results of such practice show many ramifications which will at once occur to one familiar with the subject. I shall mention only one of these consequences. One of the principal rules of capital accounting is that property lost or retired must be credited to the capital account as soon as it is lost or retired. Definite and careful instructions are provided in the Interstate Commerce Commission's and this commission's accounting rules on this principle. It must be evident that if charges which do not represent any property whatever once find their way into the capital account, they are bound to stay there permanently.

We have, then, this curious condition: The cost of a locomotive purchased by the Central Pacific Railway Company properly enters into the capital account. If that locomotive is retired or lost and not replaced, the original cost of this piece of equipment, under the accounting rules, will be credited to the capital account. If, however, the Central Pacific Railway Company acquires the Lincoln Northern Railway Company for \$39,993.96, which amount is \$18,390.36 in excess of actual expenditures, the purchasing company will come into possession of a project which will not likely be completed and for which, under normal conditions, the Central Pacific would not pay one cent. As far, however, as the capital account is concerned, the Lincoln Northern "property" will be a more privileged item than the locomotive, for the reason that this capitalization of lost expenditures will never be retired but will remain permanently a capital asset.

If for legal and accounting reasons, the parent company wants to dissolve an unprofitable subsidiary company, I see no reason why it should not do so, but I am of the opinion that in such a case unprofitable expenditures made in behalf of the subsidiary company should be written off in the profit and loss account.

While I do not agree with the method of accounting proposed in these transactions, I see no reason why the application for authority to sell the properties, as proposed, should not be granted, subject to certain conditions, and I suggest the following order:

ORDER.

Lincoln Northern Railway Company, Coast Line Railway Company, Hanford and Summit Lake Railway Company, Oroville and Nelson Railroad Company, Colusa and Hamilton Railroad Company, and William Sproule, W. R. Scott and E. O. McCormick, trustees of Mojave and Bakersfield Railroad Company, having applied to the commission

for authority to sell and transfer their properties for the considerations set forth in the foregoing opinion, and a public hearing having been held, and it appearing to the commission that the application should be granted, subject to the conditions set forth in the order,

It is hereby ordered that Lincoln Northern Railway Company be and it is hereby authorized to sell and transfer its properties described in the indenture hereto attached and marked Exhibit One, to Central Pacific Railway Company for \$16,087.63 cash, plus the assumption of an indebtedness amounting to \$23,906.33, making a total consideration of \$39,993.96.

It is hereby further ordered that Coast Line Railway Company be and it is hereby authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit Two, to Southern Pacific Railroad Company for \$10,665.12 cash and the assumption of bonded indebtedness and accrued interest thereon amounting to \$707,000.00, making a total consideration of \$717,665.12.

It is hereby further ordered that Hanford and Summit Lake Railway Company be and it is hereby authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit Three, to Southern Pacific Railroad Company for \$58,305.26 cash, plus the assumption of an indebtedness amounting to \$721,961.47, making a total consideration of \$780,266.73.

It is hereby further ordered that Oroville and Nelson Railroad Company be and it is hereby authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit Four, to Southern Pacific Railroad Company for \$17,392.65 cash, plus the assumption of an indebtedness amounting to \$11,620.43, making a total consideration of \$29,013.08.

It is hereby further ordered that Colusa and Hamilton Railroad Company be and it is hereby authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit Five, to the Southern Pacific Railroad Company for \$70,595.79, plus the assumption of an indebtedness of \$1,739,332.09, making a total consideration of \$1,809,927.88.

It is hereby further ordered that William Sproule, W. R. Scott and E. O. McCormick, trustees, of Mojave and Bakersfield Railroad Company be and they are hereby authorized to sell and transfer the properties described in the indenture attached hereto and marked Exhibit Six, to Southern Pacific Railroad Company for a cash payment of \$40,320.04.

The authority herein granted is granted upon the following conditions and not otherwise:

1. Before the authority herein granted to transfer the aforesaid properties shall become effective, the purchasing companies shall submit to this commission for approval an inventory of the property authorized to be sold and a statement showing how the investment by the vendor

companies, and the purchase price paid for the various properties, will be entered upon the records of the purchasing companies.

2. That this order is not intended and does not authorize said conveyances, or any thereof, to be considered or deemed to take effect, or to be in force as at midnight, December 31, 1916, but is authority only for such conveyance to take effect and to be in force at a date subsequent to the effective date of this order.

3. The consideration to be paid for the properties to be acquired shall not be considered as binding upon this commission or upon any other public body as representing the value of said properties for rate fixing or any other purposes.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of California.

Dated at San Francisco, California, this fifth day of July, 1917.

EXHIBIT NUMBER ONE.

INDENTURE dated the first day of May, 1917, by and between Lincoln Northern Railway Company, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and Central Pacific Railway Company, a corporation of the State of Utah (hereinafter called "Vendee"), party of the second part;

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Sixteen thousand and eighty-seven and 63/100 Dollars (\$16,087.63), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption of the Vendee of the indebtedness of the Vendor and hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near Lincoln, Placer County, California, in a general Northerly direction in said Placer County, to, at or near Dairy Farm Mine, Placer County, California, about 11.2 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchises to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyances thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

LINCOLN NORTHERN RAILWAY COMPANY.

By _____
President.

Attest :

Secretary.

CENTRAL PACIFIC RAILWAY COMPANY.

By _____
President.

Attest :

Secretary.

EXHIBIT NUMBER TWO.

INDENTURE dated the first day of May, 1917, by and between the Coast Line Railway Company, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and Southern Pacific Railroad Company, a corporation of the States of California, Arizona, and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held:

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of ten thousand six hundred sixty-five and 12/100 dollars (\$10,665.12), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the bonded and other indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection with the line of railroad of the Vendee, Santa Cruz Branch, and also with the line of railroad of the South Pacific Coast Railway Company, both at Santa Cruz, Santa Cruz County, California, in a general Northwesterly direction in said Santa Cruz County, to a point at or near Davenport, Santa Cruz County, California, about 11.906 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way, and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay the First Mortgage bonds of the Vendor now outstanding to the principal amount of \$700,000.00, issued under and secured by the First Mortgage of the Vendor, dated November 1st, 1911, to Gordon M. Buck and Henry W. Clark, Trustees, constituting a lien upon the railroads and their franchises and appurtenances hereby conveyed, together with the interest due and hereafter maturing on said bonds; and the Vendee hereby assumes and agrees to pay all other indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed; but the Vendor agrees to issue no more bonds under the mortgage aforesaid.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

COAST LINE RAILWAY COMPANY,

By _____
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY,

By _____
President.

Attest:

Secretary.

EXHIBIT NUMBER THREE.

INDENTURE dated the first day of May, 1917, by and between Hanford & Summit Lake Railway Company, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and Southern Pacific Railroad Company, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEBEAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Fifty-eight thousand three hundred and five and 26/100 Dollars (\$58,305.26), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection with the line of railroad of the Vendee at Hardwick, Kings County, California, in a general Northwesterly direction through Kings and Fresno Counties, California, to a connection with the line of railroad of the Vendee at Ingle, Fresno County, California, about 42.079 miles; and the Vendor's line of railroad extending from a connection with the line of railroad of the Vendee at or near Ingle, Fresno County, California, in a general Southwesterly direction in said Fresno County to a connection with the Vendor's line of railroad first herein described at or near Ingle, Fresno County, California, about 0.214 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof, so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and

does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

HANFORD & SUMMIT LAKE RAILWAY COMPANY.

By-----
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY.

By-----
President.

Attest:

Secretary.

EXHIBIT NUMBER FOUR.

INDENTURE dated the first day of May, 1917, by and between Oroville & Nelson Railroad Company, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and Southern Pacific Railroad Company, a corporation of the State of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Seventeen thousand three hundred and ninety-two and 65/100 Dollars (\$17,392.65), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near Oroville, Butte County, California, in a general Northwesterly direction in said Butte County, to a connection with the line of railroad of the Central Pacific Railway Company at or near Nelson, Butte County, California, about 13.0 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

OROVILLE & NELSON RAILROAD COMPANY,

By-----
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY,

By-----
President.

Attest:

Secretary.

EXHIBIT NUMBER FIVE.

INDENTURE dated the first day of May, 1917, by and between Colusa & Hamilton Railroad Company, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and Southern Pacific Railroad Company, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all of the stockholders of the Vendee holding of record the entire issued capital stock and the entire

subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Seventy thousand five hundred ninety-five and 79/100 Dollars (\$70,595.79), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection with the line of railroad of the Vendee at or near Harrington, Colusa County, California, in a general North-easterly and Northerly direction through Colusa and Glenn Counties, California, to a connection with the line of railroad of said Vendee at or near Hamilton, Glenn County, California, about 61.230 miles, of which 46.659 miles of main line track has been laid Northeasterly and Northerly from Harrington; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

COLUSA & HAMILTON RAILROAD COMPANY,

By-----
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY,

By-----
President.

Attest:

Secretary.

EXHIBIT NUMBER SIX.

INDENTURE dated the first day of May, 1917, by and between Wm. Sproule, W. R. Scott and E. O. McCormick, as Trustees of the Mojave & Bakersfield Railroad Company, a corporation of the State of California (hereinafter called "Vendor"), parties of the first part, and Southern Pacific Railroad Company, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the said Mojave & Bakersfield Railroad Company has forfeited its charter to the State of California because of its failure to pay the annual license tax for the year 1917, as required by law, and the said Wm. Sproule, W. R. Scott and E. O. McCormick are the directors of said corporation and, as such directors, are also the trustees of said corporation for the purpose of settling its affairs; and

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Directors of the Vendor, as such trustees, and also by the Board of Directors of the Vendee, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Forty thousand three hundred and twenty and 04/100 Dollars (\$40,320.04), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near Mojave, Kern County, California, in a general Northwesterly direction in said Kern County, to a connection with the line of railroad of the Vendee at or near Bakersfield, Kern County, California, about 85.0 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required, for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31st, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this instrument as of the day and year first above written.

Trustees of Mojave & Bakersfield
Railroad Company.

SOUTHERN PACIFIC RAILROAD COMPANY,

By-----
President.

Attest:

Secretary.

DECISION No. 4442.

IN THE MATTER OF THE APPLICATION OF THE FOREST GROVE
WATER COMPANY FOR AUTHORITY TO FIX AND INCREASE
RATES.

Application No. 2958.

Decided July 10, 1917.

Upon application of the company the following schedule of rates is established to become effective within thirty days: Monthly minimum, \$1.00, to include 500 cubic feet; over 500 to 1,000 cubic feet, 15 cents per 100; in excess of 1,000 cubic feet per month, 5 cents per 100.

Fred H. Arnoldy, for Applicant.

T. W. Watson and H. B. Lynch, for city of Glendale, and *J. A. Pirtle*, for Los Angeles and Arizona Land Company.

BY THE COMMISSION.

OPINION.

A public hearing was held by Examiner Westover upon the above application to fix rates for water to be used for household purposes and irrigation of lawns and gardens.

The affairs of applicant were discussed by the commission in Decision No. 4385 of June 12, 1917, upon Application No. 2848 for authority to issue stock.

As therein shown, the system upon completion of construction under way will have cost about \$37,500.00, and is to serve pumped water to a tract now being subdivided into comparatively large lots, which are offered for sale at prices ranging from \$4,000.00 to \$10,000.00 an acre. The water system is built to make possible the sale of the real estate, rather than as an investment in a separate public utility. Return on this investment should be expected from real estate sales and not from water rates. A few consumers on this system have been served by Los Angeles and Arizona Land Company at a flat rate of \$1.25 per month per lot. Said company sold to applicant under authority contained in Decision No. 4385.

Mr. R. W. Hawley, the commission's hydraulic engineer, has checked the costs of applicant's plant and system and has made estimates of the cost of maintenance and operation and the probable revenue which will be produced under the rates proposed, which are established by the order herein.

Rates to be paid by the few present consumers high enough to cover all charges of the system as a public utility would be prohibitive. We find that the rates fixed in the order are just and reasonable.

ORDER.

Forest Grove Water Company having applied to the commission for authority to increase rates for water served to residents upon a tract of land subdivided by Forest Grove Land Company, and a public hearing having been held thereon, it is hereby found as a fact by the Railroad Commission that the rates charged by said applicant, in so far as they differ from the rates herein found to be reasonable, are unreasonable and unjust and that the rates hereinafter set forth are just and reasonable rates.

Basing its order upon the foregoing findings of fact and upon the further findings of fact set out in the opinion proceeding this order,

It is hereby ordered by the Railroad Commission of the state of California, that Forest Grove Water Company be and it is hereby

authorized to file with the commission within thirty (30) days and to put into effect the following schedule of rates:

Monthly minimum rates, including 500 cubic feet of water.....	\$1 00
For all water used in excess of 500 cubic feet to and including 1,000 cubic feet, per 100 cubic feet.....	15
For all water used in excess of 1,000 cubic feet per month, per 100 cubic feet.....	5

Dated at San Francisco, California, this tenth day of July, 1917.

DECISION No. 4443.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND OF CITY OF AZUSA FOR AN ORDER AUTHORIZING SAID COMPANY TO CONVEY CERTAIN ELECTRICAL DISTRIBUTION LINES TO SAID CITY.

Application No. 2999.

Decided July 10, 1917.

Southern California Edison Company authorized to transfer to the city of Azusa certain electrical distribution lines for no consideration other than the obligation of the city to continue to take and pay for energy from the Edison company in accordance with the terms of a contract heretofore entered into with Pacific Light and Power Corporation.

Gibson, Dunn & Crutcher, by *S. N. Haskins*, for Southern California Edison Company.

Frederick Baker, for city of Azusa.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to convey certain electrical distribution lines incident to an agreement between the parties, by which Southern California Edison Company agrees to withdraw from the city of Azusa, Los Angeles County; the city to exclusively serve electrical energy within its limits except to one consumer retained by the company, the city, however, not to serve beyond the city limits.

The city of Azusa owns its own electric distribution system by which it has for several years distributed electric energy within the limits of the city and to some consumers beyond the city limits, such energy being purchased from Pacific Light and Power Corporation. The city has never generated its own energy.

By contract of November 8, 1916, with Pacific Light and Power Corporation, the city agreed to purchase from that company for three years, energy at certain rates based upon a demand charge plus an energy charge, and the company agreed to convey to the city the lines

described in the order herein, and to relinquish to the city four of the five consumers served by it within the city limits, retaining only the business of Pacific Rock and Gravel Company. Of the four consumers referred to, two have already arranged for service from the city system. The other two have not yet contracted with the city for service, not being satisfied that the new city rate will be as advantageous to them as the old rate charged by the company of 2 cents per kilowatt hour, with a minimum charge of \$1.00 per year per horsepower installed. The new city rate is based upon a demand charge plus an energy charge, similar to the rate paid by it for energy. The exact effect of the new rates upon these consumers could not be shown, in the absence of definite information as to their maximum demands. However, the president of the board of trustees testified that it is the policy of the city to reduce rates as far as practicable. It appears from the testimony that the city is able to serve each of the four consumers as well as the company has been doing, and at rates probably somewhat lower than the rate heretofore charged by the company. The contract above referred to has been assigned by Pacific Light and Power Corporation with the consent of the city to Southern California Edison Company. Under the contract there is to be no further consideration for the conveyance of the lines referred to than the obligation on the part of the city to take and pay for energy upon the rates, terms and conditions in the contract.

ORDER.

Southern California Edison Company and the city of Azusa having applied for an order authorizing the conveyance by said company of the electrical distribution lines described below to said city of Azusa, and a public hearing having been held thereon,

It is hereby ordered that Southern California Edison Company be and it is hereby authorized to convey to the city of Azusa

“That certain line extension of said company consisting of poles, wires and equipment and appurtenances thereunto belonging (not including, however, any meters or transformers), located on Tenth street in said city, and extending from the main line of said company on Angelino avenue to the pumping plant of the Azusa Irrigation Company located on lot 23, block 2 of the town of Azusa; and also that certain line extension with its poles, wires and equipment (not including meters or transformers), located on First street and running from Azusa avenue to the pumping plant of W. E. Klapetski, located on First street at a point 3,700 feet west to Azusa avenue.”

without further consideration than the obligation by said city to take and pay for electrical energy at the rates and upon the terms and conditions contained in contract between said city and Pacific Light and Power Corporation of date November 8, 1916.

This order is upon the following conditions:

1. The authority herein granted shall extend only to such conveyance as shall have been executed and delivered within thirty (30) days from date hereof.

2. Within ten (10) days after said conveyance is executed and delivered, Southern California Edison Company shall file with the commission a report stating the fact and date of delivery of said conveyance, filing copy of said conveyance with the commission.

Dated at San Francisco, California, this tenth day of July, 1917.

DECISION No. 4444.

E. T. GUISLER ET AL.

vs.

CALIFORNIA TELEPHONE AND LIGHT COMPANY.

Case No. 917.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA TELEPHONE
AND LIGHT COMPANY FOR A GENERAL DETERMINATION AND
ADJUSTMENT OF RATES TO BE CHARGED BY IT.

Application No. 2171.

Decided July 10, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas the commission issued its Decision No. 4433 in this proceeding on the twenty-eighth day of June, 1917, and whereas a requirement was included in the order therein that California Telephone and Light Company "prepare and file with the Railroad Commission on or before July 10, 1917, rules and regulations for the service of electricity in its territory which shall be acceptable to the commission," and it now appearing, for good cause shown, that it will be impossible for California Telephone and Light Company to comply with this requirement within the time limit stated,

It is hereby ordered that the time within which California Telephone and Light Company shall prepare and file its rules and regulations in compliance with the commission's order in Decision No. 4433 shall be and the same is hereby extended until the twenty-fifth day of July, 1917.

Dated at San Francisco, California, this tenth day of July, 1917.

DECISION No. 4445.

FRANK LADD

vs.

EAST GARDENA WATER COMPANY.

Case No. 1086.

Decided July 10, 1917.

Complainant agreeing to the purchase of a minimum amount of water per year, defendant is required to construct a main at its own expense so as to enable it to serve complainant with water for irrigation purposes.

Frank Ladd, in propria persona.

W. J. McIntyre, for Defendant.

BY THE COMMISSION.

OPINION.

The issues raised by the pleadings are whether defendant is a public utility and whether it should extend its mains and serve irrigation water to complainant, delivering water for that purpose at the highest point on complainant's five-acre tract located near Gardena, Los Angeles County. A public hearing of the case was conducted by Examiner Westover July 3, 1917.

Defendant serves pumped water for irrigation to its stockholders and others at a regular rate of \$1.25 per hour for the capacity of its pump which is about 100 inches of water at the pump. The testimony shows that defendant is a public utility. It has not heretofore served complainant for lack of means to construct the necessary pipe line and because his requirements are comparatively small.

As a result of the hearing, at the conclusion of the testimony the parties reached an agreement by which complainant will be served under the circumstances described in the order, he having agreed to purchase not less than \$20.00 worth of water per year from defendant.

ORDER.

A public hearing having been held in the above-entitled case, the evidence being submitted and the commission being fully advised,

It is hereby ordered that complainant having agreed to purchase from defendant not less than \$20.00 worth of water per year, defendant is required to construct at its own cost a 10-inch pipe line to the nearest point on complainant's land to defendant's system and there construct a standpipe of sufficient height to enable complainant to convey water by gravity through flume to the highest point on his land; defendant to deliver water to complainant through such pipe and standpipe at its usual rates; said work to be done before February 1, 1918.

Dated at San Francisco, California, this tenth day of July, 1917.

DECISION No. 4446.

IN THE MATTER OF THE APPLICATION OF VALLEY NATURAL GAS COMPANY FOR AN ORDER AUTHORIZING IT TO EXECUTE A DEED OF TRUST TO ANGLO-CALIFORNIA TRUST COMPANY TO SECURE A BONDED INDEBTEDNESS IN THE SUM OF TWO MILLION DOLLARS, TO ISSUE THREE HUNDRED SEVENTY-EIGHT THOUSAND DOLLARS PAR VALUE OF BONDS, TO ISSUE TWO THOUSAND SHARES OF PREFERRED STOCK, TO ISSUE ONE THOUSAND SHARES OF COMMON STOCK, TO ISSUE A PROMISSORY NOTE FOR TWO HUNDRED FIFTY THOUSAND DOLLARS AND TO PLEDGE SECURITIES TO SECURE THE PAYMENT OF SAID PROMISSORY NOTE.

Application No. 2172.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA NATURAL GAS COMPANY AND VALLEY NATURAL GAS COMPANY FOR AN ORDER AUTHORIZING CALIFORNIA NATURAL GAS COMPANY TO SELL TO VALLEY NATURAL GAS COMPANY ALL AND SINGULAR ITS PROPERTY AND ASSETS AND OF VALLEY NATURAL GAS COMPANY TO PURCHASE THE SAME.

Application No. 2173.

Decided July 10, 1917.

Applicant was heretofore authorized to issue 1,000 shares of its common capital stock, which stock was pledged as part security for a loan. The loan now having been paid, the stock is ordered returned to applicant's treasury and canceled, not to be again issued without authority of the commission.

BY THE COMMISSION.

SUPPLEMENTAL OPINION.

In the order of May 20, 1916, in the above-entitled proceeding, authority was given to California Natural Gas Company to sell its entire property, used in the natural gas business in Kern County to Valley Natural Gas Company, and Valley Natural Gas Company was authorized to issue certain securities, including 1,000 shares of its common capital stock having a total par value of \$100,000.00.

Referring to the issue by Valley Natural Gas Company of its common capital stock of the par value of \$100,000.00, the opinion of May 20, 1916, herein, reads in part as follows:

"The \$100,000.00 par value of common stock is to be issued to California Natural Gas Company as part payment of the purchase price of the property to be acquired by Valley Natural Gas Company from California Natural Gas Company. C. B. Colby testified that he has agreed, verbally, to purchase from California Natural Gas Company said \$100,000.00 par value of common capital stock at \$80.00 per share. Said \$100,000.00 par value of common stock is to be pledged by California Natural Gas Company as part security for the \$247,500.00 loan."

The authority to issue said capital stock was based on testimony to the effect that this stock would be paid for at \$80.00 per share in cash and that it was not being issued, in whole or in part, for promotion services.

We are advised that Valley Natural Gas Company issued to California Natural Gas Company its certificate of common capital stock of the par value of \$100,000.00, that this certificate was pledged as part security for said loan of \$247,500.00, that this loan has been paid and that said certificate is now in the possession of California Natural Gas Company which is holding the same pending advice from this commission as to the disposition thereof.

The commission is now in receipt of a letter dated July 7, 1917, from Mr. Joseph Haber, Jr., attorney for Valley Natural Gas Company, stating that California Natural Gas Company has not received and makes no claim for any cash payment for said capital stock and that he has secured the consent of all parties interested, including Mr. Colby, to the cancellation of the certificate upon receipt of an authorization or direction from this commission to cancel the same. Mr. Haber advises that application may hereafter be made by Valley Natural Gas Company to this commission for authority to issue securities for promotion services rendered to the company and also to represent expenditures for capital account made subsequent to the purchase by Valley Natural Gas Company, but that in event such application is hereafter made it will be based exclusively on its own merits and without any reference to said capital stock of the par value of \$100,000.00.

Under the circumstances, the authority heretofore given to issue this capital stock will be revoked and direction will be given that the certificate representing this stock shall be canceled and returned to the treasury of Valley Natural Gas Company.

SECOND SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the authority given in the order of May 20, 1916, herein to Valley Natural Gas Company to issue 1,000 shares of common capital stock be and the same is hereby revoked, and that the certificate of stock representing said shares of capital stock shall be canceled and returned to the treasury of Valley Natural Gas Company.

It is hereby further ordered that within five (5) days from the receipt of such certificate of capital stock, canceled as herein provided, Valley Natural Gas Company shall report to the Railroad Commission the fact of such cancellation. The shares of capital stock represented by said certificate shall not hereafter be again issued unless the consent of the Railroad Commission has first been secured.

Dated at San Francisco, California, this tenth day of July, 1917.

DECISION No. 4447.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH, IN THE NAME AND ON BEHALF OF AMADOR CENTRAL RAILROAD COMPANY, CENTRAL CALIFORNIA TRACTION COMPANY, FRESNO INTERURBAN RAILWAY COMPANY, GLENDALE AND MONTROSE RAILWAY COMPANY, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, McCLOUD RIVER RAILROAD COMPANY, MODESTO AND EMPIRE TRACTION COMPANY, NEVADA-CALIFORNIA-OREGON RAILWAY COMPANY, NEVADA COUNTY NARROW GAUGE RAILROAD COMPANY, NORTHERN ELECTRIC RAILWAY, JOHN P. COGHLAN, RECEIVER, NORTHERN ELECTRIC RAILWAY COMPANY, MARYSVILLE AND COLUSA BRANCH, JOHN P. COGHLAN, RECEIVER, NORTHWESTERN PACIFIC RAILROAD COMPANY, OAKLAND, ANTIOCH AND EASTERN RAILWAY COMPANY, PACIFIC COAST RAILWAY COMPANY, PACIFIC ELECTRIC RAILWAY COMPANY, PENINSULAR RAILWAY COMPANY, PETALUMA AND SANTA ROSA RAILWAY COMPANY, RIVERSIDE RIALTO AND PACIFIC RAILROAD COMPANY, SACRAMENTO AND WOODLAND RAILROAD, JOHN P. COGHLAN, RECEIVER, SACRAMENTO VALLEY ELECTRIC RAILROAD COMPANY, SAN DIEGO AND ARIZONA RAILWAY COMPANY, SAN JOAQUIN AND EASTERN RAILROAD COMPANY, SANTA MARIA VALLEY RAILROAD COMPANY, SIERRA RAILWAY COMPANY OF CALIFORNIA, SUNSET RAILROAD COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SOUTHERN PACIFIC COMPANY, THE WESTERN PACIFIC RAILROAD COMPANY, TIDEWATER SOUTHERN RAILWAY, TONOPAH AND TIDEWATER RAILROAD, TRONA RAILWAY COMPANY, VISALIA ELECTRIC RAILWAY COMPANY, YOSEMITE VALLEY RAILROAD COMPANY, FOR AN ORDER GRANTING PERMISSION TO INCREASE RATES APPLICABLE TO THE TRANSPORTATION OF FREIGHT BETWEEN POINTS IN THE STATE OF CALIFORNIA.

Application No. 2934.

Decided July 10, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Petitioners in the above-entitled proceeding having filed herein a written motion for dismissal thereof, without prejudice, and good cause appearing,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this tenth day of July, 1917.

Decisions Nos. 4448 and 4449, grade crossings; not printed. See end of volume.

DECISION No. 4450.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE No. 467 (NEW SERIES) OF THE COUNTY OF LOS ANGELES.

Application No. 2861.

Decided July 11, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that Los Angeles Gas and Electric Corporation has filed with the Railroad Commission a stipulation, duly authorized by its board of directors, in form satisfactory to the Railroad Commission, agreeing for itself, its successors and assigns, that it will never claim before the Railroad Commission or any other public authority any value for the rights and privileges conferred by Ordinance No. 467, N. S., of the county of Los Angeles, adopted April 2, 1917, in excess of the amount paid therefor by the grantee of the franchise, which amount is declared in said stipulation to have been the sum of \$232.70.

Dated at San Francisco, California, this eleventh day of July, 1917.

DECISION No. 4451.

CITY OF PASADENA

vs.

SOUTHERN CALIFORNIA EDISON COMPANY.

Case No. 1093.

Decided July 11, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The parties to the above-entitled proceeding having, on July 11, 1917, filed stipulation that the action may be dismissed,

It is hereby ordered that the same be and it is hereby dismissed, without prejudice.

Dated at San Francisco, California, this eleventh day of July, 1917.

DECISION No. 4452.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY FOR A REVISION OF PASSENGER SERVICE ON ITS LOS ANGELES DIVISION, THE CHANGES PROPOSED BEING REDUCTION IN THE NUMBER OF TRAINS OPERATED BETWEEN LOS ANGELES AND SAN DIEGO.

Application No. 3021.

Decided July 11, 1917.

Santa Fe Railway Company authorized to discontinue operation of trains No. 70, leaving Los Angeles for San Diego at 7.30 a.m., and No. 77, leaving San Diego for Los Angeles at 10 p.m. Order to become effective after five days notice to the public in accordance with commission's General Order No. 27.

Paul Burks, for Applicant.

J. H. Holmes and John Herman, for Southern California Hotel Keepers' Association.

H. W. Sumption, for San Diego Chamber of Commerce.

Hon. L. J. Wilde, mayor, for city of San Diego.

DEVLIN, Commissioner.

OPINION.

Application having been made by The Atchison, Topeka and Santa Fe Railway Company under the provisions of General Order No. 27 to reduce the number of trains now operated on its Los Angeles Division between San Diego and Los Angeles, and protests having been received from commercial and other interests in the city of San Diego, a public hearing was held in San Diego on July 9, 1917, and the matter is now ready for decision.

The Atchison, Topeka and Santa Fe Railway Company established additional train service between Los Angeles and San Diego to serve the Panama-California Exposition travel, consisting of train No. 70, leaving Los Angeles at 7.30 a.m. and arriving San Diego at 11.30 a.m.; also train No. 77, leaving San Diego at 6.10 p.m. and arriving Los Angeles at 10.00 p.m.

Due to the decrease of tourist travel following the closing of the Exposition and the present necessity for the conservation of fuel and motive power, application was made to this commission for the discontinuance of trains 70 and 77. It was thought by the commission that an adjustment of schedule from San Diego to Los Angeles should be made that would provide service between the departure of train 75 at 3.00 p.m. and train 79 at 2.00 a.m., an interval of eleven hours, and authority was given for the elimination of train 75, leaving San Diego

at 3.00 p.m., or in lieu thereof the cancellation of train 77, leaving at 6.10 p.m., and the setting back of train 75 to a leaving time approximately 5.00 p.m.

Protests being received from representative commercial and business associations in San Diego, it was decided to have the matter fully canvassed at a public hearing that the sentiment of the patrons of the applicant might be of record.

No protest was made against the elimination of train 70, leaving Los Angeles at 7.30 a.m. and arriving San Diego at 11.30 a.m.

Mr. L. J. Wilde, mayor of San Diego, and representatives of the San Diego Chamber of Commerce, Merchants' Association of San Diego, and Southern California Hotel Keepers' Association testified that the retention of train 75, leaving San Diego at 3.00 p.m., and elimination of train 77, leaving San Diego at 6.10 p.m., would best serve the business and commercial needs of the city of San Diego and that there was no objection to the elimination of train 77.

After careful consideration of the evidence in the matter and in view of the fact that all interested parties are in agreement, I am of the opinion that the applicant should be authorized to discontinue the operation of trains 70 and 77 on its Los Angeles Division until the further order of this commission.

I submit the following form of order:

ORDER.

Applicant in the above-entitled proceeding having requested an order of this commission authorizing the discontinuance of trains 70 and 77 between Los Angeles and San Diego on its Los Angeles Division, a public hearing having been held and the commission being fully advised,

It is hereby ordered that The Atchison, Topeka and Santa Fe Railway Company be and it hereby is authorized to discontinue train No. 70, leaving Los Angeles at 7.30 a.m. and arriving San Diego at 11.30 a.m.; also train No. 77, leaving San Diego at 6.10 p.m. and arriving Los Angeles at 10.00 p.m., until the further order of this commission. This order shall be effective after five days notice will have been given to the traveling public by the applicant in accordance with the provisions of General Order No. 27 of this commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of July, 1917.

DECISION No 4453.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF ONE MILLION DOLLARS.

Application No. 2586.

Decided July 11, 1917.

Applicant authorized to use \$50,384.45 of the proceeds from the sale of bonds heretofore authorized to be issued for the purpose of reimbursing its treasury covering expenditures made for proper capital purposes during the months of April and May, 1917.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California by Decision No. 3816, dated October 24, 1916, authorized applicant herein to issue \$1,000,000.00 face value of its first mortgage 5 per cent forty-year gold bonds under its supplemental indenture of first mortgage, dated July 27, 1910; and

Whereas Condition No. 2 of said Decision No. 3816, dated October 24, 1916, reads as follows:

“The bonds herein authorized to be issued shall be issued for the purposes of reimbursing applicant for a portion of the expenditures set forth in Exhibit “II,” as amended, and filed with the application herein, and thereafter the proceeds from the sale of bonds herein authorized to be issued shall be placed in a special fund and used by applicant only for additions and betterments under supplemental orders from this commission.”

And whereas applicant on June 26, 1917, filed in the above-entitled matter its fifth supplemental application showing that during the months of April and May, 1917, it has expended for capital purposes the sum of \$50,384.45, such capital expenditures being shown in detail in Exhibit “A,” attached to said fifth supplemental application; and

Whereas applicant herein asks authority to use \$50,384.45 of the proceeds obtained from the sale of the aforesaid \$1,000,000.00 face value of bonds, to reimburse its treasury for said capital expenditures, amounting to \$50,384.45; and

Whereas the Railroad Commission finds that the said sum of \$50,384.45 has been expended for proper capital purposes, and is not in whole or in part reasonably chargeable to operating expenses or to income; and good cause appearing.

It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby authorized to use \$50,384.45 of the proceeds obtained from the sale of its \$1,000,000.00 face value of its first mortgage 5 per

cent forty-year gold bonds, the issue of which was authorized by said Decision No. 3816, dated October 24, 1916, to reimburse its treasury for capital expenditures incurred during the months of April and May, 1917; said capital expenditures amounting to \$50,384.45, being set forth in Exhibit "A," attached to said fifth supplemental application filed with this commission on June 26, 1917.

It is hereby further ordered that this commission's Decision No. 3816, dated October 24, 1916, as amended by the supplemental orders of the Railroad Commission, shall remain in full force and effect except as amended by this fifth supplemental order.

Dated at San Francisco, California, this eleventh day of July, 1917.

DECISION No. 4454.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON BEACH COMPANY FOR PERMISSION TO INCREASE THE RATE FOR TRUNK LINE TELEPHONE SERVICE TO HOLLY SUGAR CORPORATION.

Application No. 2803.

Decided July 11, 1917.

At request of applicant, operating a telephone system in the town of Huntington Beach, a rate of 50 cents per month is established for each telephone of the Holly Sugar Corporation now or hereafter connected to the intercommunicating system of the corporation and having access to local exchange service through the exchange of applicant. The commission refuses to make an order with reference to applicant's petition that it restrain the sugar corporation from making any further extensions to its intercommunicating system.

H. V. Anderson, for Petitioner.

A. M. O'Brien, for Holly Sugar Corporation.

BY THE COMMISSION.

OPINION.

Huntington Beach Company, the petitioner in this proceeding, operates a telephone system in Huntington Beach, Orange County, and immediate vicinity. Its rate schedules on file with the Railroad Commission provide, among other things, rates for intercommunicating telephone systems. The rate schedules, as is generally the case, contemplate rates for service in connection with which the utility owns and maintains all of the necessary equipment.

Holly Sugar Corporation, some years ago and before petitioner filed with the Railroad Commission its present rate schedules, installed at its plant and at its own expense and now owns an intercommunicating telephone system to which it now has ten telephone stations connected. When this system was installed, petitioner provided two trunk lines from its telephone exchange to give service to the sugar corporation

for local and long distance purposes. For the use of these trunk lines petitioner has been charging the sugar corporation a rate of \$2.50 per month each and, in addition, the established rates for such long distance service as the sugar corporation may employ. It alleges that the sugar corporation's telephones make use of these trunk line connections for local exchange service and urges that the rate now charged for these trunk lines is insufficient. The commission is, therefore, asked to make its order fixing a rate for the service which petitioner provides and preventing the sugar corporation from making any further extensions of its lines or the addition of further telephones to its system without the consent of petitioner and the payment of a reasonable rate for the service rendered thereby.

The commission is not asked to determine the reasonableness of any of petitioner's rates other than those which it now charges the sugar corporation.

Petitioner has not heretofore kept any record from which the cost to it of operating these trunk lines or of providing local exchange service through its telephone exchange for the sugar corporation's various telephones may be determined. The rate which it charges in this case for trunk lines is the rate which it has on file with the commission and which it would charge other patrons for intercommunicating system trunk lines when all of the equipment necessary for service would be owned and maintained by the telephone company. In the absence of any evidence to show that this rate in such cases is unreasonably low, it does not appear that the rate now charged the sugar corporation for trunk lines should be increased. It is obvious, however, that for any service which petitioner renders either to the present system or to any additions thereto which may be made hereafter, petitioner is entitled to reasonable compensation. It would seem, therefore, that petitioner should be permitted to charge a reasonable rate for each telephone connected with the sugar corporation's intercommunicating system and having access to petitioner's local exchange service.

From its annual reports to the Railroad Commission it is possible to determine what the average cost of operation is per connected telephone, and from this average cost to estimate the probable cost of furnishing service to the various telephones in use by the sugar corporation after making proper allowance for those items of operating expense which the sugar corporation bears. Using petitioner's figures as shown in the annual reports as a basis, it would appear that, in comparison with the rates now charged by petitioner for intercommunicating systems, a rate of 50 cents per month for each telephone owned and used by the sugar corporation would be a reasonable rate. This rate, if

charged for each of the telephones now connected with this system, would produce an amount equal to the aggregate increased rate for trunk lines which petitioner seeks authority to charge and to which the sugar corporation has agreed.

The commission will not issue an order with reference to petitioner's prayer relative to further extensions of or additions to this privately-owned system.

ORDER.

Huntington Beach Company having applied to this commission for permission to increase its rate for trunk line telephone service to Holly Sugar Corporation, and a public hearing having been held, and it appearing to the commission, as set forth in the preceding opinion, that to the extent hereinafter indicated this application should be granted,

It is hereby ordered that Huntington Beach Company be and it is hereby authorized to charge Holly Sugar Corporation from and after July 1, 1917, a rate of 50 cents per month for each telephone which is now or may hereafter be connected to the intercommunicating system of Holly Sugar Corporation and having access to local exchange telephone service through the exchange of Huntington Beach Company at Huntington Beach; provided that this authority is not to be taken as a precedent to be followed in any other case.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of July, 1917.

Decision No. 4455, grade crossing; not printed. See end of volume.

DECISION NO. 4456.

REEDLEY TELEPHONE COMPANY

vs.

PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 1091.

Decided July 12, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the above-entitled proceeding having filed herein a written request for dismissal hereof, without prejudice, and good cause appearing,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this twelfth day of July, 1917.

DECISION No. 4457.

IN THE MATTER OF THE APPLICATION OF E. V. RIDEOUT COMPANY
FOR PERMISSION TO INCREASE CALIFORNIA STATE FREIGHT
RATES CLASS AND COMMODITY FIFTEEN PER CENT.

Application No. 2925.

Decided July 12, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Petitioner in the above-entitled proceeding having requested at a public hearing herein on June 28, 1917, that the above-entitled proceeding be dismissed without prejudice,

It is hereby ordered that this proceeding be and it is hereby dismissed without prejudice.

Dated at San Francisco, California this twelfth day of July, 1917.

DECISION No. 4458.

IN THE MATTER OF THE APPLICATION OF NAPA RIVER COMPANY
FOR PERMISSION TO INCREASE CALIFORNIA STATE FREIGHT
RATES, CLASS AND COMMODITY, FIFTEEN PER CENT.

Application No. 2927.

Decided July 12, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Petitioner in the above-entitled proceeding having requested at a public hearing herein on June 28, 1917, that the above-entitled proceeding be dismissed without prejudice,

It is hereby ordered that this proceeding be and it is hereby dismissed without prejudice.

Dated at San Francisco, California, this twelfth day of July, 1917.

DECISION No. 4459.

N. PETERMAN

vs.

WILLIAM F. FOWLER, AS RECEIVER OF THE SACRAMENTO VALLEY
WEST SIDE CANAL COMPANY.

Case No. 1104.

Decided July 13, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the above-entitled matter having made written request that the above-entitled complaint be dismissed,

It is hereby ordered that the above-entitled matter be and the same is hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this thirteenth day of July, 1917.

DECISION No. 4460.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO VALLEY
WEST SIDE CANAL COMPANY, SUPERIOR CALIFORNIA FARM
LANDS COMPANY AND WILLIAM F. FOWLER, RECEIVER, FOR
AN ORDER AUTHORIZING THE SALE OF A PORTION OF A PUBLIC
UTILITY WATER SYSTEM.

Application No. 2978.

Decided July 14, 1917.

Preliminary order made authorizing applicant to transfer certain canals and laterals located in the Princeton-Codora-Glenn Irrigation District, provided that such conveyance shall not be finally executed until the parties purchasing same, consideration therefor and terms and conditions thereof, shall have been passed upon by the commission under supplemental order.

Frank Freeman, and Morrison, Dunne & Brobeck, by Edward Hohfeld,
for Petitioners.

Frank Moody, for Princeton-Codora-Glenn Irrigation District.

C. L. Donohoe, for California Midland Realty Company, Protestant.

Charles L. Lambert, for certain landowners in Princeton-Codora-Glenn
Irrigation District, Protestant.

THELEN, *Commissioner.*

OPINION.

Petitioners ask authority to convey to a person not as yet ascertained, who may hereafter be the purchaser of the property in foreclosure proceedings, the River Branch canal of Sacramento Valley West Side

Canal Company south from a point on the north line of section 43 of the Glenn Ranch Survey, Glenn County, north of Sidd's Landing, and all laterals located within the Princeton-Codora-Glenn Irrigation District in Glenn and Colusa counties free from all public utility obligations.

The petition as originally filed also asked authority to convey to P. B. Cross or to an irrigation district hereafter to be formed that portion of the Quint canal of Sacramento Valley West Side Canal Company which is located on the Sisson Tract and that portion of the "N" lateral which is located on the Jameson Tract, in the southern portion of Glenn County. This part of the petition was withdrawn by letter from petitioners dated July 13, 1917.

A public hearing was held in Willows on June 15, 1917. At this hearing, petitioners and Princeton-Codora-Glenn Irrigation District appeared in support of the petition. A number of property owners in the Princeton-Codora-Glenn Irrigation District appeared in opposition to the petition.

The history and business of Sacramento Valley West Side Canal Company were fully discussed by this commission in Cases Nos. 597 and 673 decided on June 14, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of California, page 113), to which decision reference is hereby made.

The irrigation system of Sacramento Valley West Side Canal Company is being operated by William F. Fowler as receiver under order of the United States District Court in and for the Northern District of California, entered on June 3, 1915, in Case No. 146, Equitable Trust Company of New York and Joseph N. Babcock, Plaintiffs, vs. Sacramento Valley West Side Canal Company et al., Defendants.

Princeton-Codora-Glenn Irrigation District is a public irrigation district which was recently formed for the purpose of enabling the public therein to own and operate its own irrigation system. The district embraces the territory served with water for irrigation from the River Branch canal and laterals of Sacramento Valley West Side Canal Company.

A description of the property to be conveyed within the Princeton-Codora-Glenn Irrigation District has been filed herein and marked Exhibit No. "2" of petitioners.

The attorney for the irrigation district explained at the hearing that the order herein is desired as a step to enable Sacramento Valley West Side Canal Company to make to the board of directors of the irrigation district a definite offer for the sale of its property, this offer then to be

submitted by the board of directors to the qualified electors of the irrigation district.

At the present time, there is no contract on the part of Sacramento Valley West Side Canal Company to sell its property or of the irrigation district to purchase the same. No price has been agreed upon and no definite arrangements have been made under which the irrigation district will secure water if it should acquire the property.

The Sacramento Valley West Side Canal Company and the irrigation district both agree that the sale of the property shall not become effective unless it be to the irrigation district.

Mr. Charles F. Lambert, appearing in behalf of certain property owners in the irrigation district, protested against the granting of the petition. He stated that his clients are not opposed to the principle of ownership and operation of this irrigation system by the people themselves, but that they are opposed to the granting of the petition herein because they do not know what price is to be paid for the property and are opposed to having this water system divested of its public utility character unless definite arrangements have been made by which they will continue to secure a definite supply of water.

At the present time there is no definite purchaser for the property of Sacramento Valley West Side Canal Company located in the Princeton-Codora-Glenn Irrigation District; no definite price has been agreed upon; and no definite arrangement has been made to supply water to persons in the irrigation district who are now being served with water through the canals which it is proposed to sell. Hence, the only order which the Railroad Commission can make at this time will be a conditional order expressing the commission's consent to the sale of the property to such purchaser, for such consideration and upon such terms and conditions as will do full justice to all interested parties and as may hereafter be set forth in a supplemental order herein.

Superior California Farm Lands Company will join in such conveyance of the property as may hereafter be made, when the necessary final authorization from the Railroad Commission has been secured. This company has the legal title to a portion of the right of way of the canal system. As this company is not a public utility the Railroad Commission's authorization for the conveyance by this company is not necessary.

I find that a conveyance of the River Branch canal and lateral canals to the Princeton-Codora-Glenn Irrigation District should be authorized by this commission, provided that full justice is done to all parties; but for the reasons hereinbefore given it is obvious that the Railroad Commission's order at the present time can only be a conditional order.

I submit the following form of order:

ORDER.

Sacramento Valley West Side Canal Company and William F. Fowler, the receiver of its property, having applied to the Railroad Commission for authority to sell the River Branch canal, south of the north line of section 43, Glenn Ranch Survey, Glenn County, and the lateral canals located within the Princeton-Codora-Glenn Irrigation District, and a public hearing having been held, and good cause appearing,

It is hereby ordered that Sacramento Valley West Side Canal Company and William F. Fowler, the receiver of its property, be and the same are hereby authorized to sell and convey said property, but only to such party or parties, for such consideration and upon such terms and conditions as may hereafter be authorized by a supplemental order or orders herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of July, 1917.

DECISION No. 4461.

IN THE MATTER OF THE APPLICATION OF KINGS LAKE SHORE
RAILROAD COMPANY FOR AN ORDER AUTHORIZING AN ISSUE
OF CAPITAL STOCK AND BONDS.

Application No. 2919.

Decided July 16, 1917.

Applicant having started the construction of a line of railway running from Corcoran in a southwesterly direction for a distance of approximately 21 miles, is now authorized to issue \$311,000.00 face value of bonds and \$104,000.00 par value of stock, to be sold at not less than par; of the bonds \$135,000.00 face value to be delivered to Chas. King in part payment for construction work done, the balance only under supplemental orders as construction work warrants; of the stock \$52,500.00 par value at the present time to be delivered to Chas. King in part payment for work done, promotion expenses and to qualify directors, the balance only as construction needs warrant.

John G. Covert, for Applicant.

GORDON, *Commissioner.*

OPINION.

In this application as amended, Kings Lake Shore Railroad Company asks for authority to issue stock and bonds for the purpose of obtaining funds for the construction of a standard gauge steam railroad running southwest from Corcoran, Kings County, a distance of 21 miles.

Applicant was incorporated on May 7, 1917, under the laws of the state of California with a total authorized capital stock issue of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 per share. At the present time no stock, bonds, notes or other evidences of indebtedness have been issued.

Applicant's line of railroad as projected runs from a connection with The Atchison, Topeka and Santa Fe Railway Company at Corcoran west approximately $3\frac{1}{2}$ miles, thence south 3 miles, thence southeasterly about $\frac{2}{3}$ of a mile, thence south $4\frac{1}{2}$ miles, thence west $1\frac{1}{2}$ miles and thence south 9 miles. The country through which this railroad runs is as yet sparsely settled and is divided into large tracts planted for the most part to grain, sugar beets and alfalfa. At the present time, the company has practically completed ten miles of standard gauge line laid with 60-pound relaying rails. This portion of the railroad was constructed by Chas. King, the promoter of the project, with funds secured upon his private credit.

On July 7, 1917, Mr. King deeded all his interest in the railroad to the corporation for \$180,000.00. No part of this purchase price has been paid to date. The property deeded to the corporation includes the line of railroad as at present constructed, contracts for right of way for practically the entire line, and materials and supplies, tools and equipment. This property is subject to an encumbrance of \$45,000.00 represented by a deed of trust from Mr. King to Mr. E. A. Nickerson. The contracts for right of way for the most part contain the provision that deeds will be executed when the railroad is placed in operation. As the first ten miles of railroad are practically completed and ready to operate, Mr. King states he will undertake at once to secure deeds for this portion of the line and transfer the same to the corporation. The total right of way consists of 291.6 acres and includes two tracts of twenty and ten acres respectively intended for yard and station purposes.

The company at present owns no rolling stock but leases its equipment from The Atchison, Topeka and Santa Fe Railway Company under contract. Oil and water for operating purposes are also secured from the Santa Fe. It is the intention of the applicant at some future time to construct its own water and fuel stations.

During the hearing of this application, applicant filed as Exhibit "3" a detailed estimate of the cost of construction of this proposed line of railroad divided into three sections; the first section showing the actual expenditures already incurred; the second section showing the expenditures remaining to complete the line, and the third section being the sum of these two—or the total estimated cost of the entire road. The final summary sheet of this estimate, giving the expenditures by Interstate Commerce Commission accounts follows:

Estimated Cost of Construction of Kings Lake Shore Railroad Company.

I. C. C. Acct. No.	Items	Expenditures made to date	Remaining expenditures	Total estimated cost
1	Engineering	\$5,000 00	\$11,401 00	\$16,401 00
2	Right of way and station grounds..	25,000 00	17,000 00	42,000 00
4	Grading	30,771 45	11,228 55	42,000 00
6	Pile and frame trestles	4,480 36	6,019 64	10,500 00
6	Culverts		6,300 00	6,300 00
7	Ties	24,255 00	24,255 00	48,510 00
8	Rails	66,780 00	44,520 00	111,300 00
9	Frogs and switches	280 00	1,820 00	2,100 00
10	Track fastenings and other material	11,781 00	7,854 00	19,635 00
12	Tracklaying and surfacing	7,228 00	17,971 27	25,200 00
13	Roadway tools	244 80	280 20	525 00
14	Fencing right of way	1,100 00	7,300 00	8,400 00
15	Crossings and signs	426 90	623 10	1,050 00
17	Telegraph and telephone lines		4,200 00	4,200 00
18	Platforms, walks, paving and curb		1,050 00	1,050 00
19	General office buildings and fixtures		525 00	525 00
22	Water stations		2,100 00	2,100 00
23	Fuel stations		2,100 00	2,100 00
31	Miscellaneous structures		525 00	525 00
35 1/2	Injuries to persons		315 00	315 00
43	Law expense		3,447 00	3,447 00
44	Stationery and printing	25 00	185 00	210 00
47	Interest and commission	2,500 00	18,403 00	20,903 00
	Contingencies		34,839 00	34,839 00
	Grand totals	\$179,853 24	\$224,281 76	\$404,135 00

Average per mile for main track, \$19,245.00

It will be noted that the total estimated cost of construction, according to applicant's estimate, is \$404,135.00.

In addition to this cost of construction, applicant asks the commission to allow a payment of \$10,000.00 par value of common stock to Chas. King for promotion services and such other services as Mr. King has rendered and will render to this undertaking during the construction period. If this allowance is granted by the commission, the total estimated cost of the road will then amount to \$414,135.00.

The amount of \$179,853.24, shown in the above table in the column for "expenditures made to date," constitutes principally the cost of the ten miles of line practically completed to date. It also includes certain work done and certain materials on hand for the remaining eleven miles which are now under construction. It will be noted that applicant has figured the total cost of rights of way and station grounds at \$42,000.00, of which \$25,000.00 is represented as having been expended to date. At the hearing, it developed that only \$4,500.00 approximately has been spent for this item and that the remaining \$37,500.00 will be made up from donations.

The commission's engineering department has checked the construction estimate, and I am of the opinion that the road can be completed

and put in operation for the amount estimated by applicant. No check has been made by the commission of the amount claimed to have been expended by applicant to date.

Applicant has submitted an estimate of the amount of annual freight revenue which can be secured from the lands tributary to its line when completed. This territory consists for the most part of extremely fertile lands located in what was once the bed of Tulare Lake. North of Tule River, applicant has estimated a tributary area of 32 square miles, or 20,480 acres. South of Tule River it has estimated a tributary area of 126 square miles or 80,640 acres. From this territory it has figured its gross revenue as follows:

North of Tule River.

18,000 acres alfalfa at 5 tons per acre.....	90,000 tons
1,000 acres sugar beets at 10 tons per acre....	10,000 tons
1,480 acres grain hay at 1½ tons per acre....	2,220 tons
	<hr/>
	102,220 tons at 40¢ = \$40,888 00

South of Tule River.

10,000 acres sugar beets at 10 tons per acre....	100,000 tons
7,500 acres alfalfa at 5 tons per acre.....	37,500 tons
31,570 acres grain hay at 1½ tons per acre....	47,355 tons
31,570 acres grain at ¾ ton per acre.....	23,680 tons
	<hr/>
	208,535 tons at 75¢ = 156,391 00

Total possible revenue.....	\$197,279 00
Deducting 40 per cent for conservative estimate.....	78,912 00
	<hr/>
Total probable revenue.....	\$118,367 00

Applicant has estimated the operating expenses as follows:

Salaries.

President and general manager.....	\$2,500 00
Superintendent and bookkeeper.....	1,800 00
Clerk	900 00
	<hr/>
	\$5,200 00

Office supplies and expenses.

Office rent	\$360 00
Sundries	500 00
Ten per cent on valuation account No. 22..	52 50
	<hr/>
	912 50

Wages of train crew.....	\$12,000 00
Rent of cars, 12,450 cars at 75 cents.....	9,340 00
Rent of engine, 360 days at \$15.00.....	5,400 00
Supplies (fuel, oil, water, etc.).....	7,200 00
	<hr/>
	33,940 00

Maintenance of way and structures, 5 per cent on valuation accounts	12,200 00
Depreciation, 10 per cent on valuation accounts.....	24,400 00
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Total	\$76,652 50
Add 10 per cent for contingencies.....	7,665 50
	<hr/>

Total probable operating expense.....	\$84,318 00
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Gross operating revenues.....	\$118,367 00
Gross operating expenses.....	84,318 00
Net operating revenues.....	\$34,049 00
Taxes	3,000 00
Net operating revenues, less taxes.....	\$31,049 00
Interest on funded debt at 6 per cent.....	\$18,636 00
Sinking fund, 5 per cent 20-year amortization.....	9,395 00
Total fixed charges.....	28,031 00
Net corporate income over fixed charges.....	\$3,018 00

I will express no opinion upon the above estimate other than to say that the amount shown should amply provide for the operation of this road.

To finance the construction of this line of railroad, applicant proposes to issue \$311,000.00 of bonds and \$104,000.00 of stock at par. The bonds which applicant proposes to issue will be twenty-year 6 per cent first mortgage bonds and applicant asks authority to execute a deed of trust upon its property, providing for a total authorized bond issue of \$500,000.00. A copy of this deed of trust has not yet been filed with the commission. At the present time, applicant desires to issue \$52,500.00 par value of stock and \$135,000.00 face value of bonds as follows:

\$45,000 00 par value of stock to Chas. King as part payment for property transferred July 7, 1917;	
5,000 00 par value of stock as part payment to Chas. King for promotion services;	
2,500 00 par value of stock for the purpose of qualifying five directors.	
<hr/>	
\$52,500 00 par value of stock.	
135,000 00 face value of bonds to Chas. King in part payment for property transferred July 7, 1917.	
<hr/>	
\$187,500 00	

Applicant stated at the hearing that it had no intention of issuing any bonds to Mr. King until he had furnished deeds to the right of way for the 10 miles now constructed and until he had discharged the encumbrance of \$45,000.00 now resting upon the property transferred to the railroad company. It was also stated to the commission that the proceeds from the sale of the first block of bonds will be used to provide funds for the completion of the railroad, Mr. King to be thereafter reimbursed for such advances. Mr. King also assured the commission that any bonuses acquired by him would immediately be turned over to the railroad company, thereby reducing the amount of stocks and bonds to be issued in constructing the road. He stated for the information of the commission that a bonus offer of \$40,000.00 had lapsed through

his failure to complete the road by June 10, 1917, but that he would endeavor to have this offer reinstated.

It is Mr. King's intention to market the securities of the railroad company through his own efforts and to charge no brokerage or other fees in connection therewith. He has already spent approximately six months in the promotion and financing of this road. In view of these services, I believe there can be no objection to the issue of \$10,000.00 par value of stock as a promotion fee—\$5,000.00 of said stock to be issued at the present time and the balance when the entire 21 miles of line has been completed and placed in operation.

It is understood that the proposed security issues are based upon the construction estimate submitted by applicant, and if for any reason the contemplated standards of construction should be changed or changes in the construction or location of the road should be made, the issue of securities will be modified accordingly. I understand it to be the intention of this applicant to have the issue of securities based entirely on the actual cost of construction without any intermediate construction profits to the builders and promoters of the road.

I am satisfied that this railroad project is one of the most meritorious that has come before the commission, and I shall, therefore, recommend that the application be granted subject to the conditions contained in the following order:

ORDER.

Kings Lake Shore Railroad Company having applied to this commission for authority to execute a mortgage or deed of trust upon its property securing a total authorized issue of \$500,000.00 face value of first mortgage 6 per cent twenty-year bonds, and to issue \$311,000.00 face value of bonds and \$104,000.00 par value of stock for the purpose of constructing its proposed line of railroad in Kings County, as hereinbefore more fully set forth, and a hearing having been held and it appearing to this commission that applicant's request is reasonable and should be granted, and that the money, property or labor to be procured or paid for by this issue of stocks and bonds is reasonably required for the purposes hereinafter set forth, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that Kings Lake Shore Railroad Company be and it is hereby authorized to execute a mortgage or deed of trust upon its properties as security for a total authorized issue of \$500,000.00 of first mortgage 6 per cent twenty-year bonds.

It is hereby further ordered that Kings Lake Shore Railroad Company be and it is hereby authorized to issue \$311,000.00 face value of first mortgage 6 per cent twenty-year bonds, and \$104,000.00 face value of stock.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall not be issued until applicant shall have secured a supplemental order from this commission approving the form of the mortgage or deed of trust herein authorized to be executed.

2. One hundred thirty-five thousand dollars face value of bonds herein authorized to be issued may be issued to Chas. King in part payment for the property deeded by him to the railroad company on July 7, 1917, as described in applicant's Exhibit No. 2, but only after any liens upon said property shall have been discharged and only after the deeds to the right of way for the first ten miles of applicant's line shall have been executed in favor of the railroad company. When said liens have been discharged and said deeds executed, applicant shall advise this commission and secure a supplemental order stating that the conditions of this section have been complied with.

The balance of the bonds herein authorized to be issued, amounting to \$176,000.00 face value, shall only be issued upon supplemental order from this commission for the purpose of defraying a portion of the actual cost of completing applicant's line of railroad and only as the rights of way for said railroad are deeded to applicant. Detailed statements of said cost shall be filed with this commission prior to the issue of any bonds hereunder.

3. Fifty-two thousand five hundred dollars par value of the stock herein authorized to be issued may be issued immediately to the following parties for the following purposes:

\$45,000.00 par value of stock to Chas. King in part payment for the property deeded to the railroad company on July 7, 1917, as described in applicant's Exhibit No. 2.

\$5,000.00 par value of stock to Chas. King in part payment for promotion services.

\$2,500.00 par value of stock to qualify five directors (five shares to each director).

The balance of the stock herein authorized to be issued, amounting to \$51,500.00 par value, shall only be issued upon supplemental orders from this commission for the purpose of defraying a portion of the actual cost of completing applicant's line of railroad—detailed statements of said cost to be filed with this commission prior to the issue of any stock hereunder, except that \$5,000.00 par value of said stock may be issued to Chas. King for promotion services under supplemental order of this commission when applicant's projected line of railroad has been completed and placed in operation.

4. The stock herein authorized to be issued shall be issued so as to net applicant not less than the full par value thereof.

5. The bonds herein authorized to be issued shall be issued so as to net applicant not less than the full face value thereof plus accrued interest.

6. The stocks and bonds herein authorized to be issued shall be issued in such ratio and in such proportion that the par value of the stock outstanding shall at no time be less than 25 per cent of the face value of the bonds issued and outstanding under this order.

7. Before this order shall become effective, a stipulation shall be filed with this commission setting forth that any bonuses which may be acquired for the construction of this line of railroad will be turned over to the railroad company and accrue to the benefit of the construction of the road.

8. Kings Lake Shore Railroad Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock and bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said stocks and bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

9. The authority herein granted to issue stock and bonds shall not become effective until the payment by applicant of the fee prescribed in the Public Utilities Act, as amended.

10. The authority herein granted to issue stock and bonds apply only to such stock and bonds as shall have been issued on or before July 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of July, 1917.

DECISION No. 4462.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND ARIZONA
RAILWAY COMPANY FOR AN ORDER AUTHORIZING ISSUE AND
SALE OF BONDS.

Application No. 808.

Decided July 16, 1917.

BY THE COMMISSION.

FOURTEENTH SUPPLEMENTAL ORDER.

Supplemental application having been made by the San Diego and Arizona Railway Company, a corporation, on July 12, 1917, for permission to expend the sum of \$27,943.69 for the construction of an

engine house to be located at San Diego, California, and it appearing to the commission that this application should be granted,

It is hereby ordered by the Railroad Commission of the state of California that this application be and the same is hereby approved, and applicant is granted permission to expend the sum of \$27,943.69 for the construction of an engine house at San Diego.

Dated at San Francisco, California, this sixteenth day of July, 1917.

DECISION No. 4463.

IN THE MATTER OF THE APPLICATION OF WILLIAM F. FOWLER, RECEIVER OF THE PROPERTY OF SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, FOR AUTHORITY TO INCREASE RATES FOR IRRIGATION WATER.

Application No. 2977.

Decided July 16, 1917.

Frank Freeman and Morrison, Dunne & Brobeck, by Edward Hohfeld,
for Petitioner.

C. L. Donohoe, Claude F. Purkitt and Charles Lambert, for Protestants.

THELEN, Commissioner.

OPINION.

William F. Fowler, receiver of the property of Sacramento Valley West Side Canal Company, asks authority to make such increases in the rates charged for irrigation water as may be necessary to reimburse petitioner for the contemplated expense of employing guards to protect the property in the possession of the receiver.

A public hearing herein was held at Willows on June 15, 1917. At this hearing, petitioner asked that a decision herein be suspended until petitioner could ascertain whether he would be able to secure from the federal government an assignment of soldiers to protect the property.

The commission is now in receipt of a letter from petitioner dated July 13, 1917, asking that the petition herein be dismissed for the reason that the commander of the Western Division, U. S. A., has arranged to supply the necessary soldiers for guarding petitioner's property.

The petition herein should accordingly be dismissed.

I submit the following form of order:

ORDER.

William F. Fowler, receiver of the property of Sacramento Valley West Side Canal Company, having filed herein a written request for the dismissal of the above-entitled proceeding,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of July, 1917.

Decision No. 4464, grade crossing; not printed. See end of volume.

DECISION No. 4465.

IN THE MATTER OF THE APPLICATION OF TEHAMA COUNTY FOR
CONSTRUCTION OF A SUBWAY UNDER TRACKS OF SOUTHERN
PACIFIC COMPANY NEAR RED BLUFF ON THE STATE HIGHWAY.

Application No. 2845.

Decided July 16, 1917.

Upon petition of the county of Tehama it is held that the construction of a subway at the present grade crossing known as Willard crossing in said county is essential owing to the extreme dangerousness of the crossing in its present condition. Specifications for such subway as submitted by the State Highway Commission approved, and the expense of construction prorated 50 per cent to Southern Pacific Company, 25 per cent to the county and 25 per cent to the State Highway Commission.

N. A. Gernon, for Applicant.

T. H. Bedford, for State Highway Commission.

Geo. D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

In this application, filed by Tehama County on April 12, 1917, the commission is asked to determine the necessity for a subway at an existing grade crossing of a county road on the route of the state highway about one mile south of the south boundary of the city of Red Bluff, known as the Willard crossing, and to apportion the expense of its construction, if it should determine that a subway should be constructed, between the railroad company, the county and the Highway Commission. A public hearing was held on this application on April 19, 1917.

There is no doubt that a subway should be constructed at this crossing. About three years ago five people were killed on the existing grade crossing and since the hearing two others have been killed there. The need of a subway is not disputed and negotiations have been carried on between the three interested parties for some time without definite results further than an agreement that a subway should be constructed.

The Highway Commission has taken over the county road which reaches this crossing from both sides of the railroad and has planned on a subway to complete its construction, but the portion of the highway which is actually included in the subway is entirely under the control of the county, and has not been accepted by the Highway Commission.

Although the Highway Commission has no jurisdiction over the portion of the road which will be beneath the subway, it is willing to stand a portion of the expense of the subway construction. In a letter to this commission, dated June 12, 1917, it stated as follows:

"Tehama County has done much in the way of building state highway bridges and in view of such cooperation with us, the commission had decided that the state should bear one-half of the share of the cost of the subway which would have been assessed upon Tehama County if this commission had not taken its present action."

At the hearing no plans had been prepared for the structure and the estimates presented were tentative. Since that time both the Highway Commission and the railroad company have made plans and estimates which have been submitted to the Railroad Commission. The plan of the Southern Pacific Company shows a subway making an angle with the track of about 45 degrees, with a vertical clearance of 14 feet, and a horizontal clearance of 20 feet between abutments. The estimate for this structure is \$11,000.00. The plans of the Highway Commission call for a subway making an angle of 30 degrees 42 minutes with the track, having 21 feet in the clear between abutments and a horizontal clearance of 14 feet, which is the minimum prescribed by the commission in its General Order 26 on the subject of clearances. The bridge under this plan, with 5 per cent grades of approach, will cost, it has been estimated, about \$16,000.00.

With the vertical clearances the same and but one foot difference in the distance between abutments there is very little variation between the two plans submitted except for the angle at which the bridge is to be built. The Southern Pacific plan contemplates a structure some \$5,000.00 cheaper than that of the Highway Commission, but this saving in cost is obtained by sacrificing the alignment of the highway, and would necessitate the abandonment of a portion of the highway pavement already laid. This latter objection is not important but the first, in my opinion, is great enough to justify the added expense. To cross the track at an angle of 45 degrees would necessitate a reverse curve on the highway to the east of the track which would obscure the line of sight of drivers of vehicles approaching each other under the bridge. As the highway on the west side of the railroad parallels the track until it turns under at the subway it is apparent that a reverse

curve on the east side would make the subway dangerous for highway traffic. The angle of 30 degrees 42 minutes which the Highway Commission proposes to use is the angle made by the present highway alignment with the track.

I believe the plan of the Highway Commission should be adopted in preference to the plan of Southern Pacific Company. The alignment is better and the width of 21 feet between abutments is now the standard used by the Highway Commission. There is so little grading to be done that 5 per cent grades of approach seem to be justified in this particular case. I believe further that a fair division of expense is to divide the cost between the county and the railroad, the portion of the cost to be charged to the county to be divided between the Highway Commission and the county in accordance with the letter of the Highway Commission.

I recommend the following form of order:

ORDER.

Tehama County, California, having applied to the commission for an order determining the necessity for the construction of a subway at the Willard crossing approximately one mile south of the south boundary of the city of Red Bluff, and having asked the commission to apportion the cost of same; and a public hearing having been held and the commission being fully apprised in the premises,

It is hereby ordered that applicant and Southern Pacific Company shall construct a subway beneath the tracks of Southern Pacific Company at the Willard crossing, subject to the following conditions, viz:

(1) The subway shall be constructed at an angle of 30 degrees 42 minutes with the track, with a horizontal clearance between abutments of 21 feet; with vertical clearances of not less than 14 feet; and grades of approaches of 5 per cent.

(2) The expense of this construction shall be divided as follows: 50 per cent to Southern Pacific Company; 25 per cent to applicant and 25 per cent to the State Highway Commission.

The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said subway and the existing grade crossing as to it may seem right and proper and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of July, 1917.

DECISION No. 4466.

IN THE MATTER OF THE APPLICATION OF THE VALLEJO ELECTRIC LIGHT AND POWER COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY APPLICANT IN THAT PORTION OF THE TERRITORY OF THE COUNTY OF SOLANO, STATE OF CALIFORNIA, HEREIN PARTICULARLY DESCRIBED, OF ITS RIGHT OR PRIVILEGE UNDER THAT CERTAIN FRANCHISE OR PERMIT GRANTED TO IT BY THE COUNTY OF SOLANO, ON APRIL 2, 1917, AND HEREIN MENTIONED.

Application No. 2945.

Decided July 19, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that Vallejo Electric Light and Power Company has filed with the Railroad Commission a stipulation, duly authorized by its board of directors, in form satisfactory to the Railroad Commission, agreeing for itself, its successors and assigns, that it will never claim before the Railroad Commission or any other public authority any value for the rights and privileges conferred by Ordinance No. 92 of the county of Solano, adopted April 2, 1917, in excess of the amount paid therefor by the grantee of the franchise, which amount is declared in said stipulation to have been the sum of \$196.25.

Dated at San Francisco, California, this nineteenth day of July, 1917.

DECISION No. 4467.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN PACIFIC COMPANY FOR AUTHORITY TO INCREASE CERTAIN CLASS AND COMMODITY RATES APPLYING BETWEEN SAN FRANCISCO, SAN JOSE, OAKLAND AND EMERY, BERKELEY, SAN LEANDRO, SAN RAMON, STOCKTON, LODI, WOODBRIDGE, VALLEY SPRINGS, GALT, IONE, FLORIN, ARMY POINT, NAPA JUNCTION, SOUTH VALLEJO, NAPA, TRUBODY, SHELLVILLE JUNCTION, LOS GATOS AND FELTON AND INTERMEDIATE POINTS.

Application No. 855.

IN THE MATTER OF THE APPLICATION OF THE WESTERN PACIFIC RAILWAY COMPANY FOR AUTHORITY TO INCREASE CERTAIN CLASS AND COMMODITY RATES APPLYING BETWEEN SAN FRANCISCO, OAKLAND, NILES, LYOTH, LATHROP, STOCKTON AND SACRAMENTO AND INTERMEDIATE POINTS.

Application No. 858.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA
AND SANTA FE RAILWAY COMPANY FOR AUTHORITY TO
INCREASE CERTAIN CLASS AND COMMODITY RATES APPLYING
BETWEEN SAN FRANCISCO, OAKLAND, RICHMOND, STOCKTON,
RIVERBANK AND OAKDALE AND INTERMEDIATE POINTS.

Application No. 859.

Decided July 19, 1917.

Applicants authorized to put into effect a revised schedule of class rates between San Francisco and Stockton and to adjust such rates to points beyond the city of Stockton so as to bring the rates herein authorized to Stockton within the provisions of the long and short haul clause of the constitution.

BY THE COMMISSION.

SUPPLEMENTAL OPINION.

In the order of September 4, 1914, in the above-entitled proceedings (Volume 5, Opinions and Orders of the Railroad Commission of California, p. 369), it was provided as follows:

"It is hereby ordered that the Southern Pacific Company, Western Pacific Railway Company and The Atchison, Topeka and Santa Fe Railway Company be and are hereby authorized to publish and file in tariff to become effective within twenty (20) days from date of this order the following class rates between San Francisco and Stockton:

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
18	16	14	12	11	11	9	8½	8	6

and to advance such rates to points beyond the city of Stockton in order to bring the rates herein authorized to Stockton within the provisions of the long and short haul clause of the constitution."

The carriers did not avail themselves, within the twenty days specified, of the authority thus given.

In May, 1917, the carriers who are parties to the above-entitled proceedings filed herein supplemental petitions asking that they be now permitted to avail themselves of the permission accorded in said order of September 4, 1914.

Public hearings on these supplemental petitions were held in San Francisco on June 22 and July 13 and 16, 1917. The carriers submitted their supplemental petitions on the evidence heretofore taken in these proceedings and on the additional evidence with reference to the increased costs of maintenance and operation presented by the carriers in Application 2934.

The representatives of the San Francisco Chamber of Commerce and of the Merchants' and Manufacturers' Association of Sacramento stated

that they did not desire to cross-examine witnesses or to present testimony. The representatives of the Stockton Chamber of Commerce stated that they did not desire to cross-examine witnesses or present testimony on the issue presented by the supplemental petitions herein, but they indicated that they might hereafter desire in a separate proceeding to present to the Railroad Commission certain matters growing out of the subject matter of these proceedings.

At the time the commission made said order of September 4, 1914, the commission was satisfied that the order was just and reasonable. The additional testimony now presented bearing on the increased costs of maintenance and operation would seem to show that there is at least as much reason now for granting the authority requested by the carriers as there existed in September, 1914.

We are of the opinion that the supplemental petitions herein should be granted and that the carriers should be accorded a reasonable time within which to avail themselves of the authority granted.

SUPPLEMENTAL ORDER.

Petitioners in the above-entitled proceedings having filed herein their supplemental petitions asking that they be permitted to avail themselves of the authority granted by the order of September 4, 1914, in the above-entitled proceedings, and good cause appearing.

It is hereby ordered that the Southern Pacific Company, The Western Pacific Railroad Company and The Atchison, Topeka and Santa Fe Railway Company be and they are hereby authorized to publish and file in tariff to become effective within twenty (20) days from date of this order the following class rates between San Francisco and Stockton:

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
18	16	14	12	11	11	9	8½	8	6

and to adjust such rates to points beyond the city of Stockton in order to bring the rates herein authorized to Stockton within the provisions of the long and short haul clause of the constitution.

Dated at San Francisco, California, this nineteenth day of July, 1917.

DECISION No. 4468.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO MAKE, EXECUTE AND DELIVER A TRUST DEED COVERING ALL OF ITS PROPERTIES OF EVERY NATURE AND CHARACTER WHATSOEVER, TO SECURE A BONDED INDEBTEDNESS AND TO ISSUE, SELL AND DELIVER TEN MILLION DOLLARS FACE VALUE OF BONDS UNDER SAID TRUST DEED.

Application No. 3032.

Decided July 19, 1917.

Applicant authorized to execute a mortgage and issue thereunder at the present time \$10,000,000.00 face value of bonds to be sold at not less than 95.62, provided that a commission may be paid on such sale of such amounts in excess of the minimum price up to 3 per cent of the face value of the bonds. Proceeds to be used as follows: (1) \$3,000,000.00 for hydroelectric development, additions and betterments to plant; (2) \$983,287.44 to discharge obligations incurred in the purchase of stock of the Mount Whitney Power and Electric Corporation; (3) \$4,000,000.00 to discharge obligations incurred in the purchase of bonds of the Pacific Light and Power Corporation; (4) balance available, for paying outstanding notes as listed, provided that a detailed statement is first filed and approved, showing for what purposes such notes were originally issued.

H. H. Trowbridge, for Applicant.

EDGERTON, Commissioner.

OPINION.

Southern California Edison Company asks authority to execute a trust deed conveying all of its property as security for an issue of bonds totaling \$136,000,000.00; also for authority to issue and sell immediately \$10,000,000.00 face value of such bonds.

The trust deed has not been executed but a draft thereof is submitted with the application herein and we are asked to authorize the execution of a trust deed in substantially the form of the draft presented, but with the understanding that there may be some changes made before final execution.

Set out in this draft, in addition to usual terms and conditions, there are provisions somewhat unusual in character but apparently designed to add to the security of the bonds to be issued.

Bonds under this trust deed are to be issued in series and each series, except that designated as of 1917, shall mature and bear interest at a rate to be determined by resolution of the board of directors of the company. The maturity of the 1917 series is fixed in the trust deed as July 1, 1919, and the interest rate is fixed at 6 per cent.

No two series of bonds can be outstanding at the same time and before issuing a new series all preceding issues must be retired.

In effect, an amortization of \$4,000,000.00 of the \$10,000,000.00 presently to be issued is provided for because upon any refunding of this issue of \$2,000,000.00 plus approximately \$2,000,000.00 of outstanding debentures must be provided for by means other than the issuance of bonds.

The company agrees to pay any income tax levied against these bonds up to 4 per cent.

The holders of the \$10,000,000.00 face value of 1917 series are given the privilege of exchanging their bonds at maturity for a like face value of bonds issued to redeem or retire the same plus an amount of cash which will result in a return to the holder of the new bond annual earnings of 5.7 per cent.

It is proposed to immediately sell the \$10,000,000.00 face value of bonds of the series of 1917, and applicant has entered into an agreement with a syndicate of financiers whereby this issue of bonds is underwritten so as to net applicant not less than 95.62 per cent of face value, it being agreed with the underwriting syndicate that the managers of such syndicate shall receive from the proceeds of the sale of these bonds above the net amount to applicant $2\frac{1}{2}$ per cent and $\frac{1}{2}$ per cent, respectively. This results, considering the two-year term of these bonds, the discount at which they are sold and the interest rate, in a cost of this money to applicant of 8.4.

Applicant insists that this is an abnormally high price for it to pay for money and that this price in no wise measures or sets the standard for the credit of this company. Representatives of applicant make a convincing showing that the condition of the financial market at the present time is such that it is difficult to sell high-class securities of any kind, and impossible to sell such securities except they are made attractive both as to price and security. Furthermore, applicant urges that while the charges for this particular money are high, nevertheless when these charges are averaged with the total cost of money to applicant the result makes a very favorable showing.

A showing has been made that there is urgent need of the money which will be realized from the issuance of these bonds. Primarily, and of first importance, is the necessity for additions to what is called the Big Creek hydroelectric development which will cost approximately \$1,495,000.00 less such expenditures as have been made in 1917, and an additional amount for a transmission line and additions and betterments which will bring the total expenditure for all these purposes up to approximately \$3,000,000.00.

The remainder of the money realized from the sale of these bonds is needed by applicant to pay pressing obligations created in the acquisition of \$5,000,000.00 face value of bonds of Pacific Light and Power

Corporation and of the stock representing about 60 per cent of the property of Mount Whitney Power and Electric Company. These obligations total \$4,983,287.44. In addition, applicant has outstanding its own notes, maturing in the next few months, in the total of \$3,250,000.00 and there are outstanding Pacific Light and Power Corporation notes in a total of \$2,304,891.80, payment of which has been assumed by applicant. These notes also mature in the next few months of 1917.

As to the last mentioned notes of itself and Pacific Light and Power Corporation, representatives of applicant stated that the money derived therefrom was used for capital purposes, but no detail has been supplied as to the use of this money, and before these notes are paid from the proceeds of bonds applicant should be required to file such detail.

Applicant has made a very convincing showing that the use of a part of the proceeds of these bonds, proposed to be sold, for increasing production of electric energy at its hydroelectric plant on Big Creek will result in a saving which will more than offset the price being paid for the money about to be obtained. We are shown that because of the increasing business of applicant, accompanied by the increasing cost of oil necessary in the production of electricity by steam, that the production of electric energy through the hydroelectric plants would result in a saving, if market cost of oil is considered, of approximately \$700,000.00 per year, or if the price now paid by applicant under contract is considered, the saving will be approximately \$350,000.00 per year. Furthermore, unless money is obtained immediately, the present organization for additions to plant at Big Creek must be abandoned with a consequent serious loss or increase of the final expense of such additions.

Under all the circumstances, I recommend that this application be granted. From the showing made herein, it is apparent that the high price being paid for this money by applicant is due entirely to the abnormal condition of the money market, and while ordinarily it would be wise to wait until this abnormal condition had passed, I do not see how applicant can avoid its immediate necessities for money. Furthermore, with a part of the money obtained a saving will be made in the vigorous prosecution of the Big Creek hydroelectric development and the substitution of this power for steam generated power which will more than offset the difference between a normal price and the price here being paid for this money.

Herewith form of order:

ORDER.

Southern California Edison Company having applied to this commission for authority to execute a deed of trust upon its properties and

to issue and sell \$10,000,000.00 face value of first and refunding bonds thereunder, and a hearing having been held and it appearing to this commission that applicant's request is reasonable and should be granted and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that Southern California Edison Company be and it is hereby authorized to execute deed of trust of its properties as security for an issue of general and refunding mortgage bonds. Such deed to be in form substantially the same as the draft of such deed on file herein marked Exhibit "A."

It is hereby further ordered that Southern California Edison Company be and it is hereby authorized to issue \$10,000,000.00 face value of bonds under said deed of trust.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall not be issued until applicant has submitted to this commission a copy of the proposed deed of trust in substantially final form and has secured this commission's approval thereof evidenced by supplemental order herein.

2. The bonds herein authorized to be issued shall be sold at a price to net applicant in cash not less than 95.62 per cent of the face value thereof and accrued interest. Provided, applicant may pay out of any amount received in excess of such price commissions to underwriters or managers of not to exceed a total of 3 per cent of the face value of said bonds.

3. The proceeds from the sale of the bonds herein authorized shall be used by applicant for the following purposes only, unless otherwise ordered by this commission:

(a) Three million dollars of the proceeds of said bonds, or so much thereof as may be necessary, shall be used by applicant to defray the cost of adding to its Big Creek hydroelectric plant and the transmission line connecting said plant with the city of Los Angeles and for other additions and betterments to its plant and system. Said moneys shall only be expended under supplemental orders from this commission upon the filing of detailed statements of the work done or to be done.

(b) Nine hundred eighty-three thousand two hundred eighty-seven dollars and forty-four cents of the proceeds of said bonds, or so much thereof as may be available, may be expended by applicant in

paying the following obligations incurred in purchase of stock of the Mount Whitney Power and Electric Corporation:

Date of Issue	In favor of -	Rate of Interest, %	Date of maturity	Amount
9/ 1/16	First National Bank, Los Angeles.....	5	5/28/17	\$100,000 00
9/ 1/16	First National Bank, Los Angeles.....	5	5/28/17	150,000 00
9/29/16	Los Angeles Trust and Savings Bank.....	5	6/29/17	100,000 00
11/ 3/16	Los Angeles Trust and Savings Bank.....	5	6/ 3/17	100,000 00
4/ 3/17	Security Trust and Savings Bank.....	5	7/ 3/17	175,000 00
4/ 3/17	Security Trust and Savings Bank.....	5	7/ 3/17	75,000 00
4/ 3/17	Los Angeles Trust and Savings Bank.....	5	7/ 3/17	248,843 75
Due H. E. Huntington for money advanced in purchase of Mount Whitney Power and Electric Corporation stock.....				11,759 93
Due J. B. Miller for money advanced in purchase of Mount Whitney Power and Electric Corporation stock.....				22,683 76

(c) Four million dollars of the proceeds of said bonds, or so much thereof as may be available, may be expended by applicant in paying the following obligations incurred in the purchase of \$5,000,000.00 of first and refunding bonds of Pacific Light and Power Corporation:

Date of Issue	In favor of -	Rate of Interest, %	Date of maturity	Amount
2/26/17	Harris Trust and Savings Bank.....	5	8/26/17	\$100,000 00
2/26/17	Harris Trust and Savings Bank.....	5	8/26/17	100,000 00
2/26/17	Harris Trust and Savings Bank.....	5	8/26/17	100,000 00
2/26/17	Harris Trust and Savings Bank.....	5	8/26/17	100,000 00
2/26/17	Illinois Trust and Savings Bank.....	5	8/26/17	100,000 00
2/26/17	Illinois Trust and Savings Bank.....	5	8/26/17	100,000 00
2/26/17	Continental and Commercial National Bank.....	5	8/26/17	100,000 00
2/26/17	Continental and Commercial National Bank.....	5	8/26/17	100,000 00
2/26/17	First National Bank, Chicago.....	5	8/26/17	100,000 00
2/26/17	First National Bank, Chicago.....	5	8/26/17	100,000 00
5/15/17	First Trust and Savings Bank, Chicago.....	5	8/27/17	100,000 00
5/15/17	First Trust and Savings Bank, Chicago.....	5	8/27/17	100,000 00
5/15/17	Illinois Trust and Savings Bank.....	5	8/27/17	100,000 00
5/15/17	Harris Trust and Savings Bank.....	5	8/27/17	100,000 00
5/15/17	Harris Trust and Savings Bank.....	5	8/27/17	100,000 00
5/16/17	Security Trust and Savings Bank.....	5	11/16/17	500,000 00
Payment on account of Pacific Light and Power Corporation bonds, due August, 1917.....				1,000,000 00
Payment on account of Pacific Light and Power Corporation bonds, due November, 1917.....				1,000,000 00

(d) Five million five hundred fifty-four thousand eight hundred ninety-one dollars and eighty cents of the proceeds of said bonds, or so much thereof as may be available, may be expended by applicant in paying the following outstanding notes of Southern California Edison Company and Pacific Light and Power Corporation, provided

that applicant shall first have filed with this commission a detailed statement as to the purposes for which said notes were originally issued and have received an approval thereof in a supplemental order:

Southern California Edison Company Notes.

Date of Issue	In favor of -	Rate of Interest, %	Date of maturity	Amount
4/ 9/17	Ourselves -----	4½	10/ 9/17	\$200,000 00
4/ 9/17	Ourselves -----	4½	10/ 9/17	200,000 00
4/16/17	Ourselves -----	4½	10/16/17	500,000 00
5/15/17	Bankers Trust Company ---	5	5/ 1/18	1,500,000 00
6/ 1/17	H. E. Huntington -----	5	12/ 1/17	450,000 00
6/ 1/17	Ourselves -----		12/ 1/17	400,000 00

Pacific Light and Power Corporation Notes.

5/17/17	Bank of Italy, Fresno-----	6	8/15/17	\$50,000 00
5/15/17	First National Bank, Fresno-----	6	8/15/17	25,000 00
5/15/17	The Farmers National Bank, Fresno-----	6	8/15/17	25,000 00
8/ 3/16	Security Trust and Savings Bank-----	5	8/ 4/16	35,000 00
1/15/17	Ourselves -----	4½	7/16/17	500,000 00
1/20/17	Ourselves -----	4½	7/20/17	100,000 00
2/26/17	Bankers' Trust Company-----	5½	8/26/17	1,500,000 00
5/ 1/17	Riverside Portland Cement Company-----	6	7/31/17	3,602 40
5/ 1/17	Riverside Portland Cement Company-----	6	7/31/17	1,900 00
5/16/17	Riverside Portland Cement Company-----	6	8/14/17	2,477 60
1/23/17	Riverside Portland Cement Company-----	None	8/ 1/17	33,082 50
2/15/17	Riverside Portland Cement Company-----	None	8/ 1/17	13,200 00
4/ 2/17	Riverside Portland Cement Company-----	None	8/ 1/17	4,603 50
5/15/17	Riverside Portland Cement Company-----	6	8/13/17	6,900 80
5/ 1/17	Riverside Portland Cement Company-----	None	8/ 1/17	4,125 00

4. The authority herein given to issue bonds is contingent upon the payment of the fee specified in section 57 of the Public Utilities Act, as amended.

5. Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall apply only to such bonds as shall have been issued on or before July 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this nineteenth day of July, 1917.

DECISION No. 4469.

IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY FOR AN ORDER THAT THEREAFTER A CERTIFICATE WILL ISSUE FINDING THAT PUBLIC CONVENIENCE AND NECESSITY WILL BE SUBSERVED BY THE EXERCISE BY CENTRAL CALIFORNIA GAS COMPANY OF FRANCHISES IN THE COUNTIES OF KERN, TULARE AND KINGS, FOR THE CONSTRUCTION OF A NATURAL GAS TRANSMISSION SYSTEM EXTENDING FROM HILLMAN COMPRESSOR STATION OF THE STANDARD OIL COMPANY, LOCATED ON SECTION 36, TOWNSHIP 31 SOUTH, RANGE 23 EAST, IN KERN COUNTY, NORTH TO CORCORAN IN KINGS COUNTY, TO HANFORD IN KINGS COUNTY, AND TO TULARE IN TULARE COUNTY, SAID FRANCHISES HAVING HERETOFORE BEEN APPLIED FOR.

Application No. 2812.

Decided July 21, 1917.

The Railroad Commission will not grant a preliminary certificate as herein petitioned for, permitting the construction of a gas transmission main from the oil fields to serve consumers in Tulare and Kings counties, when it appears that the cost of such construction work would be so great that the fixed charges thereon would make the cost of natural gas delivered by the system considerably in excess of the cost of manufacturing and delivering artificial gas even at the present high market price of oil.

Application held in abeyance for a period of thirty days pending the submission by applicant of signed statements of the amount of natural gas available from its proposed source of supply, the cost of constructing its proposed transmission line and storage tanks, estimates of the probable consumption in territory served and the price at which it proposes to deliver the same.

LOVELAND and DEVLIN, *Commissioners*.

OPINION.

This is an application of the Central California Gas Company asking for a certificate from this commission that the present or future public convenience and necessity require or will require the construction of a transmission system to conduct natural gas from the Kern County oil fields and deliver the same in the communities of Corcoran and Hanford, Kings County, and Tulare and Porterville and other territory now being served with artificial gas by the applicant in Tulare County.

The allegations set forth in this application are substantially as follows:

Applicant is now manufacturing artificial gas from oil secured at a price considerably lower than the present market under a contract which will expire in September, 1917, and the Hanford Gas and Power Company is supplying the city of Hanford with gas made from oil purchased under a similar contract which will expire in December, 1917. At the present market price of oil the applicant's manufacturing cost, based on its present output, will be increased upon the termination of this contract by approximately \$12,000.00 per year and

likewise the operating costs of the Hanford Gas and Power Company will be approximately \$4,000.00 greater per annum than they are at present.

The applicant alleges that in order to avoid the necessity of applying for a corresponding increase in rates, it proposes to bring natural gas from the Kern County oil fields to serve its own territory and also to sell natural gas wholesale to the Hanford Gas and Power Company. Applicant further alleges that due to the greater heating value of natural gas it would be cheaper at the same price than artificial gas, and for this reason applicant believes that, together with the Hanford Gas and Power Company, it can develop a market in Tulare and Kings counties for three hundred million (300,000,000) cubic feet of natural gas per year, and estimates that the saving therefrom to the people served will amount to approximately \$100,000.00 per annum in fuel expense.

Based on the amount expended by the applicant in the manufacture of artificial gas in 1916, which was about \$36,000.00, applicant estimates that the cost of an equal amount of natural gas, assuming the full use of the proposed transmission system, would be about \$16,000.00, resulting in a saving of \$20,000.00 per year at the present contract price of oil, or about \$36,000.00 per year at the present market price of oil, and for these reasons states its belief that two-thirds of the cost of the proposed transmission system can be realized by it in five years.

Public hearings were held in this proceeding at San Francisco, and it was finally submitted on June 15, 1917. Applicant offered in evidence a report containing estimates of the cost of installing the proposed transmission system and of the increased sales and modifications of its operating expenses which would be effected thereby. According to this report 253,440 feet of 4-inch pipe is to be installed at a cost of 35 cents per foot, or a total cost of \$88,704.00. A 750,000-cubic-foot gas holder is to be purchased and installed at Visalia at a cost of \$35,000.00, and another holder of 200,000 cubic feet capacity is to be installed at Porterville at an estimated cost of \$13,000.00. These three items constitute approximately 90 per cent of the \$152,204.00, which is the total estimated cost of the improvements which the applicant herein is asking for authority to construct.

No convincing evidence was introduced to indicate applicant's ability to obtain and erect this equipment at the costs as estimated. Taking into account the present market prices and availability of material, we are inclined to believe that the system as proposed could not be constructed except at an expense so great that the fixed charges would make the cost of natural gas delivered by this system considerably more than the cost of artificial gas, even at the present high market price of oil. It must also be noted that applicant has failed to present evidence

of such a nature that the commission would be justified in assuming that a market for 300,000,000 cubic feet of gas yearly can be developed in the near future. The sales of the Central California Gas Company were only 80,266,400 cubic feet in 1916, and those of the Hanford Company were 14,428,000 cubic feet, making a total of combined sales of 94,694,400 cubic feet having a heating value of approximately 600 B. t. u. per cubic foot. In this connection it should be pointed out that the immediate effect of introducing natural gas would be to reduce the present rate of consumption approximately 40 per cent because of the higher heating value of the natural product as compared with artificial gas. The result would apparently be an immediate falling off in the quantity of gas sold from about 80,000,000 cubic feet to approximately 48,000,000 cubic feet. Whether or not the present average volume of gas used per consumer would be equaled or exceeded in the future would depend largely upon the price at which the gas could be sold. At any event, it is probable that the cost to applicant of natural gas delivered to present consumers would, for a time at least, considerably exceed the cost of artificial gas per unit of volume. Applicant would, under such circumstances, be forced to choose between the necessity of transacting its business at a loss during a new development period, or of applying for an increase in rates to compensate for the reduction in its gross sales.

Applicant has defaulted in making payment of certain sinking fund and interest obligations under its trust deed, and there was introduced at the hearing by applicant a copy of a report of the Los Angeles Trust and Savings Bank reciting such default. Under the terms of the trust agreement foreclosure proceedings may be commenced at any time, and in fact such proceedings are, according to applicant, now threatening. Considering applicant's financial condition, it would appear that grave difficulties would, in all probability, be encountered in financing such a project as that proposed even if the project were otherwise entirely feasible. Because of these difficulties and for the further reason that applicant's patrons are entitled to early relief from service conditions which appear to be most unsatisfactory, we doubt the wisdom of undertaking an entirely new project at this time. We are not convinced, nor does the evidence justify the assumption, that the benefits which applicant anticipates from the introduction of natural gas can be realized, at least for several years to come. Having the best interests of the territory in mind, we can not, upon the present showing, recommend that applicant be authorized to embark upon the new and comparatively expensive enterprise proposed, because, in the event of failure, applicant would in all probability be incapacitated from meeting the immediate requirements of present and prospective consumers.

While, as we have already indicated, we have considerable doubt as to the feasibility of the project as outlined by applicant, we have no desire to foreclose applicant from presenting further information in support of the petition herein. For the reasons stated, we would recommend that the final decision of the commission herein be postponed for thirty days from the date hereof, and that within this period of thirty days applicant procure and file with the commission the following data:

1. Definite quotation signed by present owner, or duly authorized agent of present owner, showing location and quantity of natural gas available, together with price thereof and availability with reference to date of delivery.

2. A description of the necessary pipe, said description to include size, condition as to whether new or second hand, location, quantity, and quotation of price thereof delivered, with place of delivery designated, said quotation to be signed by the present owner, or duly authorized agent of the present owner of such pipe.

3. A quotation, including a description, of the major units of the proposed compressor stations, giving present location of such motors and compressors, name of owner, date that same could be delivered and definite cost thereof, such quotation to be signed by the present owner, or duly authorized agent of the present owner of said motors and compressors.

4. Quotation as to cost of holders, which quotation shall include the present location, capacity, condition with reference to being new or second hand, date that same could be delivered and cost thereof, which quotation shall be signed by present owner of such holders, or duly authorized agent of such owner, together with definite proposal to be signed by party making such proposal, showing cost of dismantling and reerecting said holders, if said holders are now in use.

5. A detailed estimate of probable gas consumption based on a comprehensive survey of the territory which it is certain that applicant will serve if permitted to construct the proposed gas transmission line.

6. A definite statement of the price at which applicant proposes to supply natural gas to consumers until such time as rates are established for such service by the commission.

If the above information is not supplied to the commission in writing by applicant within thirty days from the date hereof, we will have no recourse other than to recommend that the application herein be dismissed, in which event it will be necessary to seek relief from present unsatisfactory service conditions in some other manner than proposed.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of July, 1917.

DECISION No. 4470.

IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY, A CORPORATION, FOR: (1) AN ORDER AUTHORIZING THE ISSUANCE OF EIGHTEEN THOUSAND DOLLARS FACE VALUE OF BONDS OF CENTRAL CALIFORNIA GAS COMPANY AND THE DELIVERY OF SAID BONDS TO LOS ANGELES TRUST AND SAVINGS BANK, TRUSTEE, FOR CANCELLATION UNDER ARTICLE IV OF THE TRUST DEED OF CENTRAL CALIFORNIA GAS COMPANY; (2) AN ORDER AUTHORIZING THE ISSUANCE OF SIXTY THOUSAND DOLLARS PAR VALUE OF APPLICANT'S SEVEN PER CENT PRIOR PREFERRED STOCK, BEING SIX HUNDRED SHARES THEREOF, AND TO SELL THE SAME AT PAR, THE PROCEEDS OF WHICH ARE TO BE APPLIED IN THE PAYMENT OF APPLICANT'S NOTES AND ACCOUNTS PAYABLE; (3) AN ORDER AUTHORIZING THE ISSUANCE OF FORTY THOUSAND DOLLARS PAR VALUE OF APPLICANT'S SEVEN PER CENT PRIOR PREFERRED STOCK, BEING FOUR HUNDRED SHARES THEREOF, AND TO SELL THE SAME AT PAR, THE PROCEEDS THEREOF TO BE USED TO DEFRAY PART OF THE COST OF A NATURAL GAS TRANSMISSION SYSTEM AND APPURTENANCES CONNECTED THEREWITH, THE DETAILS OF ESTIMATED COST OF WHICH ARE SHOWN IN EXHIBITS FILED IN APPLICATION NO. 2812, NOW PENDING BEFORE RAILROAD COMMISSION; (4) AN ORDER AUTHORIZING APPLICANT TO ISSUE ONE HUNDRED THOUSAND DOLLARS OF SIX PER CENT FIVE-YEAR GOLD NOTES AND TO SELL THE SAME SO AS TO NET THE APPLICANT NOT LESS THAN NINETY-SEVEN PER CENT OF THE FACE VALUE THEREOF, SAID NOTES TO BE CALLABLE AT 101 AFTER JUNE 1, 1919, THE PROCEEDS OF THE SALE OF SAID NOTES TO BE USED TO DEFRAY PART OF THE COST OF SAID NATURAL GAS TRANSMISSION SYSTEM.

Application No. 2889.

Decided July 21, 1917.

LOVELAND and DEVLIN, *Commissioners.*

OPINION.

This is an application of the Central California Gas Company for authority to issue certain securities for two purposes. First, to provide funds for the payment of certain of applicant's outstanding notes and accounts payable, and, second, to obtain funds for the construction of a gas transmission system to conduct natural gas from the Kern County oil fields for distribution in Kings and Tulare counties.

In its order in Decision No. 3997, in Application 2337, the commission indicated a plan which should be followed by the applicant herein to obtain funds to liquidate certain obligations. Sufficient evidence was not offered by applicant to convince us that the order in Decision No. 3997 should be modified and, until the conditions of said order have been fully complied with, we are not inclined to recommend the issue of any securities by the applicant herein.

The commission is this day issuing its Decision No. 4469 in Application No. 2812, withholding, for the present and under conditions therein set forth, authority to construct the gas transmission system referred to in the last two sections of the application herein. Reference to the opinion and order contained in said decision is hereby made as being pertinent to and of interest in these proceedings.

For reasons set forth, we recommend that this application be denied.

ORDER.

Central California Gas Company having applied to the Railroad Commission for authority to issue \$18,000.00 face value of its bonds and \$100,000.00 par value of its 7 per cent prior preferred stock and \$100,000.00 of 6 per cent five-year gold notes, and public hearings having been held and the commission, for reasons set forth in the foregoing opinion, believing that this application should be denied,

It is hereby ordered that the application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this twenty-first day of July, 1917.

DECISION No. 4471.

C. E. BERRY ET AL.

VS.

ORO LOMA FARMS COMPANY.

Case No. 1056.

Decided July 21, 1917.

A water company which requires the execution of a contract preliminary to the delivery of water does not place itself thereby in the position of a mutual water company or a company not subject to the jurisdiction of this commission. Respondent held to be a public utility.

An irrigation rate of \$3.00 per acre-foot established, provided that before such rate shall become effective respondent shall prepare and submit for the approval of the commission, plans for the improvement of its service and the cleaning of its ditches, contemplating an expenditure of not less than \$10,000.00, such improvements to be completed sixty days after approval of plans, at which time a supplemental order will be entered establishing the above rate.

Louis Oneal, William F. James and C. P. Ross, for Complainants.
C. J. Goodell, for Defendant.

DEVLIN, Commissioner.

OPINION.

Complainants in this proceeding are farmers residing at Oro Loma, Fresno County, California. The complaint alleges that complainants

complain not only as individuals, but also as a duly authorized committee of the Oro Loma Farmers Association, an organization composed of owners of land in the Oro Loma tract who purchase their lands from the defendant herein, and its predecessors in interest.

The complaint alleges that defendant company has been for several years and is now selling water and offering it for sale to the general public, for delivery to farmers and others upon its own terms, rates and under its own conditions; that defendant has never supplied any water to some portions of the lands where it had assumed obligation for the delivery of water and has for certain other lands never supplied a sufficient or adequate amount of water. It is claimed that defendant refuses to supply water except upon the terms and rates and under conditions specified by defendant and that such terms, rates and conditions are unfair, unjust and inequitable.

It is further alleged that the complainants, by reason of failure to obtain a proper water supply, are liable to lose crops now planted and that defendant is able to produce and deliver an adequate supply of water if it desires.

Complainants pray that defendant be compelled to produce and develop a sufficient supply of water; that water rates be made reasonable and just and that the conditions governing deliveries of water be made fair and practicable, together with such other and further relief as the commission deems proper.

The answer of defendant denies that it is now or has been, as alleged by complainants, delivering and selling water to the general public except such of the general public as have become purchasers or prospective purchasers, by contract, of lands subdivided and offered for sale by defendant company and its predecessors in interest in its operations as an agency for the subdivision, development and sale of parcels in a tract to be devoted to farming purposes.

Defendant filed as Exhibit "A" with its answer a draft of contract, which was substantially the form used in contracting for the sale of every parcel of land sold to complainants.

Defendant calls attention to the fact that this contract provided that defendant therein designated "seller," should form a mutual irrigation company for each pumping plant and system of distributaries carrying the water from that plant to the lands in the district, that such plant might later be found to properly serve. This clause provides that a share of stock in the mutual company is to be issued for each acre of land to be served with water and payment be made to Oro Loma Farms Company in the sum of \$10.00 per acre or per share. Defendant alleges that four such companies have been incorporated and steps taken for the incorporation of six other such companies and that pending the

organization of the mutual concerns, defendant has itself been operating the water developing and distributing properties.

The record before the commission shows that none of the stock of the mutual concerns has been issued to complainants herein or to any members of the association which it is stated they represent.

Defendant specifically denies that it agreed to deliver to complainants or others sufficient water for irrigation of crops other than as provided in the form of contract accompanying the answer, and under the rates, terms and conditions therein set forth; denies that it has never supplied a sufficient or adequate amount of water to most of the land referred to in the complaint; denies that it has refused to supply water to any of the lands referred to except upon the terms, rates and conditions specified by defendant or that these terms, rates and conditions are at all unfair, unjust or inequitable or result in any hazard to complainants' land or rights or that complainants are unable to get water with which to irrigate the crops now planted so as to cause a danger of failure and loss of such crops.

The defendant states that it is its desire to produce a sufficient and adequate supply of water for the needs of farmers in the locality to whom it is under obligation to furnish water, but reiterates that it has never held itself out to be a water utility or engaged in the business of furnishing water to the public generally. It prays that should commission find it to be a public utility that there be fixed fair and reasonable rates to be charged for its service.

Formal hearing of the issues was had at Oro Loma on May 2, 1917.

Is Defendant a Public Utility?

That each of the complainants are users of water on lands to which water has been dedicated by contract, and as well by inclusion in the territory that the water system is designed to serve, was established by testimony.

As bearing upon the status of defendant company as a public utility, it was shown that one K. Hammonds, residing some six miles westward from Oro Loma and outside the tract subdivided and sold by Oro Loma Farms Company, purchased water from the mains of the company which he hauled in barrels to his home. Use of water covered a period of some three weeks. The company collected for the water so taken from its main at its established domestic rate of 4,000 gallons for \$1.00 and 20 cents for each additional 1,000 gallons, the amount of the bill being \$2.15.

Oliver Leroy Divens purchased water which he drew from the company mains and hauled away in essentially the same manner as Mr. Hammonds, this use commencing during March of this year and extending into April. He likewise paid for water at the rates established by

the company for domestic service. Some water is used and paid for by persons renting company land.

This was all of the affirmative evidence of any sales of water to consumers other than contract holders. There was no evidence, however, that any one other than a contract holder had been refused the right to purchase water. On the contrary, it appeared quite clearly from the evidence of Fred A. Park, the superintendent of defendant, and who was in immediate charge of the defendant's plant, that the defendant was willing to sell water to the public generally. In this connection, Mr. Park testified that while he had never received any authority to charge for water sold to anybody outside of the settlers in the Oro Loma tract, neither did he receive any instructions not to deliver water to any one off of the land; Mr. Park testified that he ordinarily received his instructions as to the management of the affairs in the tract from Mr. D. W. Johnston, the manager of defendant, and that he, Park, under his instructions felt at liberty to sell to any one either off or on the land that wanted to buy water.

It seems under this evidence that there can be no doubt that the defendant, through its duly authorized agents, stood ready to serve the public, at least within the area of the tract in question, with water, and the fact that the sales, of which there was affirmative evidence, were small and proven in but two instances, does not operate to relieve the defendant from the obligations, by defendant voluntarily assumed, as a public utility.

The provisions in the form of contract upon which the defendant company bases its claim that its service is in effect that of an agency operating temporarily as an agent preliminary to the taking over and operating of the system by mutual companies, do not alter the fact that, at the present time, water is being delivered generally to water users who have no stock in a mutual concern and have no voice whatever in the establishment of rates nor the fixing of conditions other than as they are set forth in the contract.

The contracts provide for payment to be made by water users who avail themselves of the company's offer to develop and deliver in pipe lines a domestic water supply, but it does not establish the rates to be charged for this domestic supply, nor does it provide for transfer of the domestic water system to any mutual company nor for its operation by a mutual concern. Defendant company, however, claims that this service is and should be held separate from the system devoted to the provision of water for irrigation of lands. Excepting for the provision in the form of contract before referred to under which the defendant company may be expected to proceed with the organization of several mutual companies covering the entire tract, the contract does no more than establish rates and rules. Contracts establishing rates to be

charged by many irrigation companies throughout the state have been generally executed in establishing relations between the company and the water user. A number of such companies have been brought before this commission on complaint alleging inequitable rates or have made application for authority to change the rates established by contract, and this commission has held that the execution of such contracts, even though required in every case preliminary to sale of water, did not constitute a relationship other than would fall under the provisions of the Public Utilities Act. The commission, in a number of these cases, has disregarded the contractual provisions, particularly in the establishment of rates and has changed such rates and provisions. The order of this commission in this respect has been upheld by the Supreme Court of this state:

Limonicra Company et al. vs. Railroad Commission of the State of California, Volume 53, California Decisions, page 86.

It will be recommended that the commission find Oro Loma Farms Company to be operating as a public utility water company both in the development and distribution of domestic water supply and of water for irrigation of farms, in the tract hereinbefore referred to.

History of Company.

It appears that the plan for development of the tract of land covered by defendant's water system was conceived about 1910 by a partnership composed of a number of persons residing in Oakland, Alameda County. Defendant's Exhibit "A." presented during the hearing in this matter, is an agreement executed between the members of this partnership and John L. Hunt. This provides for the transfer to Hunt of one of the lots in Oro Loma tract and is dated October 20, 1912. This and other exhibits presented for consideration by the commission show Chas. F. Lee to have been active in the management of affairs on the tract. Later the Oro Loma Farms Company was incorporated, all of the partners continuing as stockholders, together with the Wm. R. Staats Company. This corporation and D. W. Johnston are now stated to be in control of the Oro Loma Farms Company and practically exclusive owners of all lands in the tract not sold to individuals as well as of the water system.

The area of the tract it has been planned to sell and provide with water by the use of the system substantially as it is built at the present time totals 8,172 acres. The water system constructed consists of ten wells varying in depth from 500 to 1,000 feet, of 8 inches and 10 inches diameter, equipment installed and in use at nine of these wells, ten small earth reservoirs, a distribution system of open earth ditches with

appurtenant structures and a domestic water system. The latter is supplied from one of the wells used generally for development of irrigation water pumped into an elevated tank by separate lift and distributed over the tract through light-weight wrought-iron pipe lines.

There has not been more than 2,500 acres of land irrigated since the tract was first opened, yet complainants allege that for present consumers using water on considerably less area, it is necessary that additional wells be sunk and equipped. The testimony of engineers employed both by the defendant and this commission indicates that losses of water in transit to the land are excessive and amount to as much, in the aggregate, as 50 per cent of that pumped. Assuming that measures be taken to stop all loss of water in transmission and the three additional wells which the company now plans to put in commission, there could not be a sufficient water supply to satisfy consumers on the entire tract. Thos. H. Means, testifying for defendant company, stated that a system of pipe lines should be used in distributing water. The engineer for the commission proposed the use of pipe line and concrete-lined ditch and recommended that the improvement of ditches to an extent requiring the expenditure of about \$10,000.00 be undertaken immediately, this expenditure being made where it is found to be the most advantageous in saving of water now lost by seepage.

In addition to the known excessive loss of water after pumping, the testimony shows that the wells and pumping units have not given complete satisfaction. The most recent test shows that the water table is dropping rapidly and the capacity of wells during April of this year averages 20 per cent below that twelve months before. Tests made by one of the commission's engineers in May of this year found two of the wells delivering 20 per cent under the amount reported by the engineers employed by the company during April.

The cost of the property devoted to water service is found by the auditing department of the commission to be \$55,116.00 without intangibles. This includes \$12,083.00 charged to domestic water system and leaves \$43,034.00 as the separate cost of the irrigation system. It was found that the expense of maintenance and operation during 1916, the only year when accounts were so kept that the expenses could be determined with reasonable accuracy, amounted to \$14,025.00, and the total operating revenue \$3,878.00. Of the operating revenue the auditors found that \$1,516.00 only had been collected and the claim is made by the company that allowance must be made to consumers on account of poor crops raised and that the remainder would in great part be lost.

The crops that have actually been raised and were growing at the time of the hearing are almost exclusively grain, alfalfa, kaffir corn and the like.

It was testified that consumers can not, due to conditions of soil, climate and water service, raise crops of greater value. The present development on the farms does not justify the expense incurred here in the development of water.

Schedule B1, accompanying the report of the commission's auditor, shows that charges for irrigation service were made against 1,164 acres. If these consumers were required to pay rates sufficient to cover maintenance and operation expense only, the charge would have to be over \$12.00 per acre, an obviously impossible requirement when it is found impracticable to collect one-half the present charge of \$3.00 per acre. The power bill for the year was \$9,576.00. If the expenditure of \$10,000.00 in the lining of canals results in a reduction of present transmission loss by 40 per cent, and the total loss is now 50 per cent of all water pumped, the aggregate saving will be 30 per cent and applied against the power bill of 1916 indicates a saving in that item alone of over \$2,800.00. While this is an approximation, it appears supported by the evidence and the inference is obvious that some such improvement of the system should be undertaken immediately. The elimination of practically all loss and every other means for the better construction and operation of the present method of developing water and transmitting it to the water users on this tract does not offer a complete solution of the difficulty that will continue in providing water at a rate that consumers can afford to pay.

Complainants were insistent that the price paid by the Oro Loma Farms Company or its predecessors in interest for the land and the price at which the land is being sold and offered for sale be given consideration. These matters can not be taken into account and the returns from land weighed together with the returns from sale of water in determining a proper rate. The fact that the company is interested in the sale of land and that the same land is to be watered by this system is recognized by the commission and it is realized that the success or failure of the utility operations in such a case depends largely upon the policies governing the land subdivision and sale.

This company's articles of incorporation provide only for dealing in real property, and transactions relating thereto. The obvious conclusion is that this water system was constructed to enable subdivision and sale of the parcels forming the company's tract. This is properly a consideration in establishing rates in this and similar cases. Here it is impracticable to establish rates high enough to provide any net return from present consumers under the existing physical conditions.

The allegation that service has not been uniformly satisfactory is borne out by the evidence. It also seems to be proven that in part the failure of consumers to raise paying crops has been due to lack of water, either in the amount or at the time of crop need. Witnesses for the

company admit this while claiming that land owners are at fault in not having properly prepared the land for irrigation.

A rate by amount of water delivered, measured at the land, will act as an incentive toward the best handling of the water system and application by users. The rate now is \$3.00 per acre for water at the pumping plant with an allowance of two feet in depth per annum.

Arbitrarily, the pumping plants are assumed to deliver equal amounts. Evidence shows this to be untrue, and together with greater transmission losses borne by those farthest from the pumps, results unfairly.

While no direct measurement and record of amounts pumped is available, analysis of power use and periodic measurements show that approximately four acre-feet of water per acre watered was pumped in 1916. Provided losses are 50 per cent and the same amounts are used, the rate we will recommend, \$3.00 per acre-foot at the land, will result in the average in doubling the present rate. With prompt delivery of water when it is needed and better preparation of land, less water is necessary.

A course that the company may profitably pursue in reducing distribution loss and incidentally pumping expense has been indicated.

One of the main canals of the San Joaquin and Kings River Canal and Irrigation Company passes through a corner of the Oro Loma Farms tract and follows a line close to the northern border. It is physically possible to take water from this canal with a less lift than that encountered in raising the water from defendant's wells. It is not known whether negotiations for obtaining water from this source have been opened by defendant company, and it is suggested that this be investigated by the company.

A specific complaint alleging unsatisfactory condition of domestic meter supply was discussed during the hearing. This is a matter properly for attention of health boards. It appears that the owners had taken steps to improve the complained of conditions.

The rates for this service are not in question and form a negligible part of the returns. It is claimed that the Oro Loma Farms Water Company, incorporated but not operating, is the owner of the domestic water system.

I recommend the following order:

ORDER.

Complaint having been made against Oro Loma Farms Company, and a public hearing having been had and the matter now being before the commission for determination, it is hereby found as a fact that Oro Loma Farms Company is a public utility water company engaged in the business of distributing water for irrigation and domestic use within

the boundaries of a tract of land in Merced and Fresno counties known as Oro Loma Farms.

It is hereby further found as a fact that the rates charged by the Oro Loma Farms Company for irrigation water are unjust and discriminatory in so far as they differ from the rates herein established, and that the rates hereinafter ordered to be established are just and reasonable rates; and that the practices of the company under its existing rules and regulations have resulted in inadequate and unsatisfactory service.

Basing its order upon the foregoing findings of fact and the further findings of fact set out in the opinion preceding this order,

It is hereby ordered by the Railroad Commission of the state of California that Oro Loma Farms Company provide for measurement of water for irrigation at or near the points of delivery onto the lands of consumers, and that it charge for water so measured and delivered at the rate of \$3.00 per acre-foot.

The authority to put into operation the rate granted herein is granted subject to the following conditions, namely:

I. Oro Loma Farms Company shall prepare plans for the improvement of its water distributing system, for saving of water now lost by evaporation and seepage, anticipating the expenditure of at least \$10,000.00, submit these plans to the Railroad Commission of the state of California within thirty days of the date of this order, for acceptance, and upon such acceptance proceed with the improvements, to be completed within sixty days thereafter; the rate herein to become effective only upon the making of a duplicated order by this commission declaring that these conditions have been complied with.

II. Oro Loma Farms Company shall draft and submit to this commission within thirty days of the date of this order, a complete schedule of rules and regulations providing for the delivery of water in the manner herein indicated and covering all the other matters customary in such schedules.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of July, 1917.

Decision No. 4472, grade crossing; not printed. See end of volume.

DECISION No. 4473.

FRANK H. ABERLE ET AL.

vs.

STOCKTON-MOKELUMNE CANAL COMPANY.

Case No. 866.

Decided July 21, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainants having, on July 20, 1917, made written request that the complaint herein be dismissed,

It is hereby ordered that the complaint herein be and the same hereby is dismissed.

Dated at San Francisco, California, this twenty-first day of July, 1917.

DECISION No. 4474.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND SOUTHEASTERN RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE RENEWAL OF A PROMISSORY NOTE IN THE SUM OF ONE HUNDRED TWO THOUSAND THREE HUNDRED SIXTY-NINE DOLLARS FIFTY-THREE CENTS.

Application No. 2936.

Decided July 21, 1917.

Applicant authorized to renew for a period of eleven months its certain promissory note of the face value of \$102,369.53, bearing interest at the rate of 6 per cent.

Read G. Dilworth, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of San Diego and Southeastern Railway Company for authority to issue a promissory note in the principal sum of \$102,369.53 to the J. D. and A. B. Spreckels Securities Company.

A hearing in this matter was held before Examiner Encell at San Diego on June 29, 1917.

From the testimony, it appears that on April 17, 1913, applicant issued a one-day 6 per cent note in the principal sum of \$102,369.53 to the J. D. and A. B. Spreckels Securities Company and that the proceeds

were used in the construction, completion and extension of applicant's line of railroad. The statutory life of this note has now expired and applicant desires to issue a note in renewal thereof, the new note to be in like amount as regards principal and interest, but to be payable eleven months after date.

In view of the fact that the proceeds from the original note were used for capital expenditures, and further in view of the fact that the note herein applied for will be issued to the parties owning the controlling interest in applicant's line of railroad, there appears to be no objection to the granting of this application subject to the terms of the following order:

ORDER.

San Diego and Southeastern Railway Company, having applied to this commission for authority to issue a promissory note to J. D. and A. B. Spreckels Securities Company in the principal sum of \$102,369.53, payable eleven months after date and bearing interest at 6 per cent per annum,

And a hearing having been held and it appearing to this commission that the money to be procured by such issue is reasonably required for the purpose specified in the order, which purpose is not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that San Diego and Southeastern Railway Company be and it is hereby authorized to issue its promissory note to J. D. and A. B. Spreckels Securities Company in the principal sum of \$102,369.53, bearing interest at 6 per cent per annum and due eleven months after date.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The note herein authorized to be issued shall be issued for the sole purpose of retiring a note payable to J. D. and A. B. Spreckels Securities Company, dated April 17, 1913, due one day after date in the principal sum of \$102,369.53.

2. Within thirty days after the issue of the note herein authorized, applicant shall report the fact of such issue to this commission.

3. The authority herein granted shall not become effective until the payment by applicant of the fee prescribed in the Public Utilities Act, as amended.

4. The authority herein granted shall apply only to such note as shall have been issued on or before September 30, 1917.

Dated at San Francisco, California, this twenty-first day of July, 1917.

DECISION No. 4475.
ARCHIE BOLLINGER ET AL.
vs.
FRESNO CITY WATER COMPANY.

Case No. 1103.

Decided July 21, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Fresno City Water Company having satisfied the matter complained of in this proceeding and the complainants having accordingly asked that the proceeding be dismissed,

It is hereby ordered that the complaint herein be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of July, 1917.

DECISION No. 4476.

IN THE MATTER OF THE APPLICATION OF TUJUNGA WATER AND POWER COMPANY AND THE BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES, FOR AN ORDER APPROVING A CERTAIN MEMORANDUM OF AGREEMENT PROVIDING FOR THE LEASE OF PUBLIC UTILITY PROPERTY.

Application No. 3030.

Decided July 21, 1917.

Applicant authorized to lease to the city of Los Angeles for a period of eighteen months its certain water distributing system serving unincorporated territory in the county of Los Angeles.

BY THE COMMISSION.

ORDER.

Tujunga Water and Power Company, a utility furnishing water service to residents of a portion of the city of Los Angeles, having perfected an agreement with the Board of Public Service Commissioners of the city of Los Angeles, a municipal corporation, a memorandum of which is as follows:

“THIS MEMORANDUM OF AGREEMENT, made this 17th day of June, 1917, by and between TUJUNGA WATER & POWER COMPANY, a corporation, first party, and the BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES, a municipal corporation, second party.

Witnesseth:

That said first party, for and in consideration of the sum of Ten Dollars (\$10.00) to it in hand paid, receipt whereof is hereby acknowledged, does hereby lease to said second party, all pipe lines, service connections, meters appliances and appurtenances constituting and belonging to the water distributing system of said first party, located and supplying water in those sections known as Tujunga Terrace, Hansen Heights and the neighboring territory, in the County of Los Angeles, for a period of Eighteen (18) months from date hereof, for use by said second party in distributing water for domestic and irrigation purposes to consumers under said system, subject to the following conditions:

(1) That said second party shall have the right, at its election, upon the consideration aforesaid, to an extension of such lease for an additional period of one year, provided that the second party, shall not less than thirty days before the expiration of said eighteen month period, give notice in writing to said first party of its election to exercise such right.

(2) That the second party shall have the right during the life of this lease, or any extension hereof, to make necessary extensions to said system for the purpose of supplying consumers with water, subject however, to the conditions hereinafter stated.

That first party shall, at the time of and as a condition precedent to the redelivery of said property to first party, repay to second party the cost of any necessary extensions of said system made by second party, less an allowance for depreciation at the rate of 10% (Ten) per cent per annum; provided that, extensions for which said first party is to so repay shall include the first extensions made and shall not exceed in cost, Three Thousand (\$3,000) Dollars, without the written consent of first party, first obtained, and excepting as is hereinafter provided.

That first party shall have the right and option to purchase from second party any extensions of said system made by second party during the life of this lease, or any extension hereof, other than and in addition to extensions of said system for which the first party agrees to repay second party, as above provided, on the basis of cost, less depreciation at the same rate, as provided above; such option to be exercised at the time of redelivery of said system to first party, and the purchase price of extensions under such option to be paid to second party at the time of such redelivery. If such option be not exercised, then title to all such extensions to which such option applies, shall remain in said second party, and the same may be disconnected and removed at the time of such redelivery, or any reasonable time thereafter.

Upon repayment for extensions, as aforesaid, title thereto shall vest in first party.

The cost of connecting up the system hereby leased with the municipal system of the City of Los Angeles shall be at the expense of second party, and not to be included in the cost of extensions, as herein mentioned.

(3) That subject to paragraph (2) hereof, said second party shall surrender and deliver said system together with extensions except as above provided, to said first party on the expiration of said lease,

or any extension thereof, in as good condition as when received by said second party, excepting the usual wear and tear and damage by the elements.

(4) The execution of this agreement, or anything done hereunder shall be and be deemed to be without prejudice to the claim of either party hereto, to any rights in the waters of the Tujunga River, and shall not be nor be deemed to be a recognition by either party of any claim of the other party in or in respect to the waters of said Tujunga River. It is understood, however, that a part of the waters of said Tujunga River are now being diverted by first party from said river into the system hereby leased and are being distributed through said system and supplied to the customers or consumers of said first party; and it is hereby agreed that such water shall, during the life of this lease, continue to be so diverted and used by said second party and the ditches, flumes, tunnel and other diversion works used in diverting said water are a part of the system hereby leased.

(5) The second party shall be entitled to collect and retain all revenue for the sale and delivery of water through said system or any extension thereof, during the life of this lease, or any extension hereof.

(6) The party of the second part agrees to supply water through said system or any of its extensions to any and all of the customers or consumers now securing water from the party of the first part, and at its own cost and expense, to keep said leased system in as good order and condition as it now is in, and to pay all taxes on said system during the life of this lease, excepting for the fiscal year 1917-1918.

(7) The party of the second part agrees that after connection is made by the second party from the main of said City of Los Angeles, located on Grant Avenue in the San Fernando Valley with the main of said first party's system on Montevista Street in Tujunga Terrace, to remove the present six inch O D casing running from the 24 inch Redwood Pipe Line to the Tujunga Terrace, and agrees that after connection is made by second party from the main of said City, located at Ninth Street and Hayes Avenue in the San Fernando Valley with the main of first party's system at Ninth Street and Cleveland Avenue to remove the present six inch O D casing running from a pit in the Tujunga Wash to the corner of Ninth Street and Cleveland Avenue; such pipe to be so removed upon written orders of said first party to be given during the life of said lease or an extension hereof, to such location contiguous to said system of said first party as said first party may designate; said first party to bear the entire cost and expense of such removal and relaying and, for that purpose, at the time of ordering the same, to deposit with said second party the amount of such cost and expense, based on an estimate of the Chief Engineer of the Bureau of Water Works & Supply of said City. It is understood that only such portion of said casing as said Chief Engineer shall find in good, serviceable condition shall be removed or relaid as above provided. Pipes removed and relaid under the provisions of this paragraph shall be deemed part of said first party's system and shall not be subject to the repayment provisions of paragraph (2) hereof.

(8) This agreement shall be subject to the approval of the Railroad Commission of the State of California.

IN WITNESS WHEREOF, said first party has by resolution of its Board of Directors, at a meeting duly and regularly called caused this instrument to be executed in its behalf by its proper officers, and said second party has caused this agreement to be executed in its behalf by its President and Secretary, and its official seal to be hereunto affixed, the day and year first above written.

TUJUNGA WATER & POWER COMPANY.

(Seal)

By Thomas M. Daek, President,
By O. T. Roon, Secretary.

BOARD OF PUBLIC SERVICE COMMISSIONERS
OF THE CITY OF LOS ANGELES.

(Seal)

By R. F. del Valle, President,
By Jas. P. Vroman, Secretary."

And it appearing to the commission that the said Tujunga Water and Power Company desires, and apparently the public interested requires, that said applicant, Board of Public Service Commissioners of the city of Los Angeles, shall take over and operate said water system during the term of said lease in the manner as provided for therein, and it also appearing that this is not an application in which a public hearing is necessary,

It is hereby ordered that Tujunga Water and Power Company be and hereby is authorized to enter into a lease of its pipe lines, service connections, meters and appurtenances constituting its distributing system to the Board of Public Service Commissioners of the city of Los Angeles, all according to the foregoing memorandum of agreement embraced in this order.

It is hereby ordered that within ten (10) days after the leasing of said property, applicants shall file with the Railroad Commission a certified copy of the lease so entered into.

The authority herein granted to lease property shall apply only to such lease as may be entered into on or before September 1, 1917.

Dated at San Francisco, California, this twenty-first day of July, 1917

DECISION No. 4477.

IN THE MATTER OF THE APPLICATION OF THE GARNSEY INVESTMENT COMPANY AND THE BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES FOR AN ORDER AUTHORIZING THE SALE OF PUBLIC UTILITY PROPERTY.

Application No. 3041.

Decided July 23, 1917.

BY THE COMMISSION.

ORDER.

The Garnsey Investment Company having applied for authority to transfer to the Board of Public Service Commissioners of the city of

Los Angeles for the sum of \$2,000.00 its public utility property used in supplying water in that portion of the city of Los Angeles bounded by Huntington drive, Roberta street, Pritchard street and Cassatt street, in accordance with the form of indenture attached to the application in this proceeding and marked Exhibit "B," the particular property to be transferred being therein described as follows:

"(a) All water pipes, service connections, fittings, meters, appliances, appurtenances and extensions constituting and pertaining to the water distributing system owned by the first party and operated by the Beaverwyck Land Company, and supplying water in the territory within the City of Los Angeles known as the "Rose Hill District," and used and operated by the Beaverwyck Land Company for supplying water in said territory, excepting wells, pumping plant, machinery, tools, buildings, two reservoirs, and the land whereon the same are located.

(b) All franchises and rights of way owned or held by or for said first party and used, or necessary in connection with the construction or operation of said works, or any part thereof, or any extension of said works;

(c) All maps and records pertaining to said water system and relating to pipes, services, consumers, property, rates, etc."

And the Board of Public Service Commissioners of the city of Los Angeles having joined in the application and the commission being of the opinion that the application should be granted,

It is hereby ordered that this application be and the same hereby is granted.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4478.

IN THE MATTER OF THE APPLICATION OF MADERA CANAL AND IRRIGATION COMPANY FOR AN ORDER AUTHORIZING INCREASES IN RATES CHARGED FOR WATER SOLD FOR IRRIGATION.

Application No. 2381.

Decided July 23, 1917.

Upon application of the water company the following schedule of rates for irrigation service is established: For water delivered from October 1 to March 1, 50 cents per acre-foot; March 1 to June 1, \$1.00 per acre-foot; June 1 to October 1, \$1.25 per acre-foot; applicant to submit for the approval of the commission a revised set of rules and regulations within twenty days.

1. The fact that a water company has entered into so-called water right contracts does not prevent such company, even as to lands covered by such contracts, from being a public utility subject to the jurisdiction of the Railroad Commission.
2. When the duties of manager and engineer of a utility can satisfactorily be performed by one man the salaries of two individuals covering such positions will not be allowed in computing operating expenses of a utility in connection with rate fixing investigations.

3. An irrigation company operating in a district of water-bearing lands and accordingly forced to compete with pumped water must necessarily operate under a schedule of rates comparable with the cost of pumping water, especially when rates based upon the value of its system would be prohibitive and tend to lose to it its remaining consumers.
4. This commission has no jurisdiction to establish an annual rate of \$1.00 per acre covering all acreage which applicant holds itself out as serving irrespective of the fact of whether or not water is delivered to such property. Should landholders not using water at present desire to continue the payment of such amount to hold their priority to water, such payments may be made as a matter of contractual obligation, but not under the rates herein established. If not and the company is unwilling to cancel such contracts, the respective rights of parties thereunder is a matter for the courts to determine and not for this commission.
5. The delivery of water based on an acre-foot rate is far more desirable than a rate based on the number of acres irrigated, because in the first instance a consumer pays only for what he receives and the measuring of water tends to check waste and increase the amount available for distribution.
6. The Railroad Commission has jurisdiction to change a rate specified in a contract entered into between a public utility and one or more of its consumers.

Robert L. Hargrove and Morrison, Dunne & Brobeck, by H. H. Phleger,
for Madera Canal and Irrigation Company.

M. K. Harris, for certain consumers.

Johnston & Jones, by H. M. Johnston, for Italian-Swiss Colony.

W. F. Williamson and H. T. Jones, for San Francisco Theological
Seminary.

THELEN, Commissioner.

OPINION.

Madera Canal and Irrigation Company, hereinafter referred to as the canal company, asks authority to increase all its rates for water sold for irrigation in Madera County, California.

In the prayer of its petition, the canal company asks authority substantially as follows:

1. To charge \$1.00 annually against each acre of land located within the general area of 24,325 acres, within which area the canal company has, from time to time, supplied water for irrigation. This charge is to be made irrespective of whether the canal company actually delivers water to the land.

2. To charge against all land covered by contract with the canal company, for each acre on which water in excess of the amount specified in the contract is used, \$3.90 per acre for the first irrigation and for each subsequent irrigation \$1.50 per acre.

3. To charge against all land not covered by contract with the canal company \$3.90 per acre for the first irrigation and \$1.50 per acre for each subsequent irrigation.

4. To charge against all land covered by contract with the canal company, if a charge on the acre-foot basis is authorized, \$2.00 for each acre-foot of water used in excess of the quantity specified in the contract.

5. To charge against all land not covered by contract with the canal company, if a charge on the acre-foot basis is authorized, \$2.00 for each acre-foot of water delivered.

Public hearings herein were held at Madera on February 13 and 14 and March 13 and 14, 1917. Briefs have been filed and the proceeding has been submitted and is ready for decision.

The subject matter of this opinion will be considered under the following heads:

1. Canal company a public utility.
2. Canal company's system and operations.
3. Canal company's finances.
4. Valuation.
5. Depreciation annuity.
6. Operating and maintenance expenses.
7. Pumping competition.
8. Rates—past and present.
9. Rates herein established.
10. Rules and regulations.

1. *Canal Company a Public Utility.*

The canal company alleges in the petition herein that it "is, and ever since December 8, 1888, has been, a public service corporation and a public utility." The petition further alleges that "the waters appropriated by said company (the canal company) and its predecessors were, in the first instance, dedicated upon a district in township 11, ranges 17 and 18, and township 12, ranges 17 and 18, in said county of Madera, containing about 35,454 acres of land susceptible of irrigation from the canals of said company, but only about 24,325 acres of said district have been actually irrigated from the canals of said company."

Some question having arisen as to whether petitioner is in fact a public utility, I shall review briefly the evidence bearing on this issue.

The canal company claims its entire water by appropriation. The water is diverted from the Fresno River at a point in the south $\frac{1}{2}$ of the southeast $\frac{1}{4}$ of section 8, township 11 south, range 18 east, M. D. B. and M. The waters of the Fresno River taken by the canal company are claimed under a notice of appropriation posted by Isaac Friedlander on October 23, 1872. This notice claimed the waters of the Fresno River to the extent of 26,700 cubic feet per minute and stated that the purpose and place of intended use were the "irrigation of the lands in townships 11 and 12, south, range 18 east, and other lands all situated in Fresno County, California."

From 1872 to 1889, Friedlander and his successors sold water for irrigation to all persons desiring the same within the area specified, without any so-called water right or other contracts, at the rate of \$2.00 per acre for alfalfa and \$1.00 per acre for grain, vines and trees.

On December 8, 1888, the owners of the canal system conveyed the

same to the canal company, which they had incorporated for the purpose of owning and operating the system. The deed provides in part as follows:

"and the said corporation (the canal company) does hereby covenant and agree to and with the grantors and with each of them separately that it, the said corporation, shall and will as a condition of receiving the grant of the said water rights, fix its rates for selling water rights for irrigation of lands at not less than five dollars for each and every acre of land, to be paid upon making the contract, for such water rights, and in addition thereto an annual tax of not less than one dollar, for each and every acre of land, to be paid annually on or before the first day of September of each year, and shall and will maintain and enforce the said rates until the same shall be changed by a vote of the stockholders holding three-fourths of the capital stock of the corporation."

The canal company's articles of incorporation provide that the purposes for which the company was formed are

"to acquire, hold and dispose of water and water rights and to supply by sale, lease or otherwise for compensation water and the use of water to land owners and other persons in the county of Fresno and elsewhere in the state of California for irrigation of lands and for domestic and other uses and to acquire, hold and dispose of and deal generally in other property, real and personal, in the state of California."

Between March 10, 1890, and January 1, 1911, the canal company issued 88 so-called water right contracts agreeing to deliver the amounts of water therein specified, until December 7, 1938, and during the existence of the corporation, at the annual rate of \$1.00 per acre for each acre of land covered by the contract. These contracts were issued on approximately 12,800 acres of land, but are now effective as to only 7,485 acres.

From time to time, the canal company also sold water for the irrigation of lands which do not have water right contracts. On February 18, 1899, the board of supervisors of Madera County enacted Ordinance No. 50, which ordinance established the rate of \$1.30 per acre for the first irrigation and 50 cents per acre for each subsequent irrigation for all noncontract lands supplied with water by the canal company. These rates have been charged by the canal company from February 18, 1899, to date for all noncontract lands. Of the total of 24,325 acres which have at some time or other received water from the canal company's system, approximately one-half have been noncontract lands. Of the 5,785 acres which the canal company irrigated in 1916, 3,474 acres were contract land and 2,311 acres were noncontract land.

In 1913 a large number of water users under the canal company's system filed with the Railroad Commission a complaint against the canal company alleging that the complainants were water users and

water right owners under the canal company's system and that the canal company is a public utility, and praying that the Railroad Commission direct the canal company to give specified relief as to its rates and service. *Mordecai et al. vs. Madera Canal and Irrigation Company*, Vol. 3, Opinions and Orders of Railroad Commission of California, page 985.

The canal company has filed with the Railroad Commission all its rates, rules and regulations and its annual reports subsequent to March 23, 1912, and has responded to numerous informal complaints before the Railroad Commission, without any suggestion by the canal company or any consumer, whether the holder of a water right contract or otherwise, that the company is not as to its entire water deliveries a public utility subject to the jurisdiction of the Railroad Commission.

The mere fact that a water company has entered into so-called water right contracts does not prevent the company, even as to the lands covered by such contracts, from being a public utility, subject to the jurisdiction of the Railroad Commission. *Palermo Land and Water Company vs. Railroad Commission*, 173 Cal. 380; *Limoncira Company et al. vs. Railroad Commission*, 53 Cal. Dec. 86.

I find as a fact that the canal company is a public utility under the provisions of section 23, Article XII of the state constitution, section 2 of the Public Utilities Act, and chapter 80, laws of 1913, and is subject to the jurisdiction of the Railroad Commission with reference to the rates to be charged by it for all water sold by it, whether under contract or otherwise.

2. *Canal Company's System and Operations.*

The canal company owns slightly in excess of 100 miles of main canals and laterals, all located in Madera County. The company sells water only for irrigation and it operates entirely by gravity.

The Big Creek ditch diverts water from Big Creek, a tributary of the Merced River, and conveys it to the north fork of the Fresno River. The Soquel ditch diverts water from the Soquel Creek, a tributary of the San Joaquin River, and likewise conveys it to the north fork of the Fresno River. The Chilcote ditch diverts water from Rock Creek, a tributary of the San Joaquin River, to Chilcote Creek, which flows into Soquel Creek above the canal company's point of diversion from Soquel Creek. The waters thus diverted, together with the waters of the Fresno River, to the extent of the canal company's right, are diverted from the Fresno River into the canal company's main canal at the point hereinbefore indicated, and are thence conveyed through the canal company's main and distributing canals.

The canal company claims the following water rights:

1. All the waters of the Big Creek of the Merced River to the extent of 50 second-feet, except during April, and during April all the waters

of the Big Creek to the extent of 20 second-feet, and except from July 15 to December 1, during which latter period the canal company claims a sufficient amount of the waters of Big Creek, not exceeding 50 second-feet, to operate the flume of the Madera Sugar Pine Company.

2. All the waters of the north fork of the San Joaquin River and of Chilcoot Creek, conveyed through the Soquel ditch, to the extent of 50 second-feet, except during August and September, and during August and September a sufficient amount of said water, not exceeding 50 second-feet, to operate the flume of the Madera Sugar Pine Company.

3. All the waters of the Fresno River at and above the intake of the canal company's main canal to the extent of 200 second-feet.

The average amounts of water available to the canal company under its appropriations, at the intake of its main canal, bearing in mind the limitation of 200 second-feet maximum use, have been as follows:

Month	Acre feet	Month	Acre feet
January -----	4,873	July -----	1,738
February -----	7,422	August -----	73
March -----	9,414	September -----	321
April -----	8,696	October -----	1,068
May -----	8,779	November -----	463
June -----	5,668	December -----	641

The canal company reports that it sustains a loss of 50 per cent of its water between the intake at the Fresno River and the points of delivery at the ditches of its consumers.

The irrigating season under this system is generally considered to be not over 180 days, extending approximately from January 15 to July 15.

The number of acres irrigated during 1914, 1915 and 1916 were as follows:

Year	First Irrigation	Second Irrigation	Third Irrigation	Fourth Irrigation
1914 -----	6,553.7	2,347	651	82.5
1915 -----	6,279.4	2,204	702.5	4
1916 -----	5,785.1	2,011.5	123	-----

The bills rendered by the canal company for water delivered respectively to contract lands, excess on contract lands, and noncontract lands, and the total bills, in 1914, 1915 and 1916 were as follows:

Year	Contract lands	Contract lands (excess)	Noncontract lands	Total
1914 -----	\$7,181 55	\$1,267 71	\$3,725 97	\$12,175 23
1915 -----	7,450 15	772 75	4,367 26	12,590 16
1916 -----	7,485 78	493 97	3,669 96	11,649 71

The principal crops irrigated under this water system are, in order of acreage irrigated, alfalfa, vines, trees and grain. The relative acreage of various crops irrigated appears from the 1914 returns as follows:

Alfalfa -----	5,363.7 acres
Vines -----	1,512 acres
Trees -----	885 acres
Grain -----	607.7 acres
Miscellaneous -----	1,205.8 acres
Total -----	9,634.2 acres

In the foregoing tabulation, each acre is counted as many times as it was irrigated. The total number of acres to which water was applied was 6,553.7.

The number of irrigations necessary for the various crops under this water system varies. Alfalfa should have five or six irrigations, one after each cutting. Old vines are sometimes irrigated once before the middle of April and sometimes not at all. Bearing trees are generally irrigated once in March or April and young trees are frequently given two irrigations. Grain, if irrigated, receives water once, either before the heads appear or when the grain is as high as one's hand. The number and times of irrigation for the various crops is of considerable importance under this system for the reason that its water generally fails before the fifteenth of July.

In 1916, only 3,473.9 acres of contract lands out of 7,485.78 acres having water right contracts were irrigated. The remaining 4,011.88 acres of contract lands, which received no water, were nevertheless charged the contract rate of \$1.00 per acre. The revenue derived from lands not irrigated was approximately one-third of the canal company's total revenue.

In 1916, the canal company had approximately 225 customers.

3. *Canal Company's Finances.*

The canal company has an authorized issue of \$400,000.00 par value of common capital stock, divided into 40,000 shares of the par value of \$10.00 each. This capital stock was all issued, at the time of the canal company's incorporation, in exchange for the water system at that time conveyed to the canal company. Assessments amounting to \$74,400.00 have been paid on this stock. An assessment of \$10,000.00 was levied and paid in 1916.

The canal company has outstanding an issue of \$100,000.00 face value of first mortgage 5 per cent bonds, dated January 1, 1903, and payable January 1, 1933. The interest is payable semiannually. These bonds were sold at par in cash. Proceeds from their sale amounting to approximately \$89,000.00 were used in purchasing the so-called Adobe and Archibald reservoir sites and rights of way in connection therewith

on the west bank of the Fresno River, in constructing said two reservoirs and in purchasing certain machinery for their operation. Subsequently Miller & Lux enjoined the canal company from diverting the waters of the Fresno River which the canal company had intended to store in these reservoirs; the reservoirs failed and the investment therein, in so far as operative property of the canal company is concerned, is a total loss.

The canal company's operating revenues and operating expenses for the fiscal years 1914-15 and 1915-16 and for the calendar year 1916 are shown in Railroad Commission's Exhibits 1 and 2 to have been as follows:

	1914-15	1915-16	1916
Operating revenue	\$12,590 16	\$11,649 71	\$11,649 71
Operating expenses	19,259 64	9,832 13	12,563 02
Net operating revenue.....	*\$6,669 48	\$1,817 58	*\$913 31
Detail of operating expenses:			
Distribution expenses	6,921 87	5,261 29	6,415 85
Commercial expenses	1,010 65	963 51	915 21
General expenses	1,870 93	1,443 45	3,121 35
Legal expenses	8,077 73	1,036 60	832 25
Injuries and damages	80 00		
Taxes	1,298 46	1,127 28	1,278 36
Totals	\$19,259 64	\$9,832 13	\$12,563 02

*Deficit.

The foregoing tabulation makes no allowance for any return on the investment. The returns for the fiscal year ending June 30, 1916, are somewhat misleading for the reason that certain items of operating expenses incurred during the first six months of 1916 were not entered on the books until later in the year. Attention is directed to the very high legal expense for the fiscal year 1914-1915. The canal company, from 1899 to December 31, 1915, expended \$45,042.59 for legal expenses, mostly incurred in litigation in defense of water rights against Miller & Lux and affiliated corporations.

4. Valuation.

The canal company makes no claim that the Adobe and Archibald reservoir sites and the property connected therewith should be regarded as used and useful property.

Mr. H. Barnes, the canal company's engineer, presented as petitioner's Exhibit No. 11 an estimate of the cost to reproduce new the physical structures of the canal company, together with an estimated present market value of the real estate. The total estimate as presented by Mr. Barnes was \$186,307.24, of which amount over \$50,000.00 represents real estate.

Mr. M. H. Brinkley, one of the Railroad Commission's assistant hydraulic engineers, presented as Railroad Commission's Exhibit No. 3 a similar estimate, totaling \$108,643.00. Mr. Brinkley's estimate of reproduction cost new, with an estimate of depreciation annuity on the 4 per cent sinking fund basis are as follows:

**Estimated Reproduction Cost and Depreciation Annuity, as Reported by
Assistant Hydraulic Engineer M. H. Brinkley.**

	Reproduction cost	Probable life, years	Annuity
Transmission and distribution right of way.....	\$7,150 00		
Timber in gates.....	6,828 00		
Concrete in gates.....	461 00	50	\$3 00
Weir at Fresno River.....	4,330 00	12	288 00
Lower siphon Cottonwood Creek.....	1,400 00	50	9 00
Upper siphon Cottonwood Creek.....	1,584 00	50	10 00
Ditch excavation—distribution.....	3,114 00	50	20 00
Ditch excavation—distribution.....	41,614 00	60	175 00
Ditch excavation—main.....	17,748 00	100	14 00
Equipment and tools.....	770 00		
Totals.....	\$84,999 00		\$519 00
Collection and diversion:			
Big Creek ditch.....	\$8,904 00		
Soquel ditch—			
Clearing, grubbing and ditch excavation.....	9,959 00		
Headworks.....	1,120 00	15	\$56 00
Siphon—concrete.....	716 00	20	24 00
Siphon—pipe and excavation.....	2,645 00	25	63 00
Chilecote ditch.....	300 00		
Totals.....	\$23,644 00		\$143 00
Grand totals.....	\$108,643 00		\$662 00

Remarks.—Covered in maintenance and operation.

The differences in the estimates of Mr. Barnes and Mr. Brinkley result principally from different methods employed for measuring excavation in the distributing canals and from different unit prices for earth excavation and hardpan. For reasons which will hereinafter appear, it is not necessary herein to make a definite finding with reference to the value of the canal company's property. If such finding were necessary, I would be inclined to accept Mr. Brinkley's estimate.

The canal company also presented a number of estimates of the value of the company's water rights. In view of the statement of counsel for the canal company, made at the hearing herein, that the company desires only a reasonable rate and not one which will drive away its remaining business, it will not be necessary to analyze these claims for water right value.

5. *Depreciation Annuity.*

The engineers of all parties agree that apart from obsolescence and inadequacy no allowance need be made herein for depreciation of the canal company's main and lateral canals.

I consider the allowance of \$662.00 made by Mr. Brinkley to be ample.

The canal company has never set up a depreciation reserve, but has included replacements in operating and maintenance expenses.

6. *Operating and Maintenance Expenses.*

The operating and maintenance expenses incurred by the canal company during the fiscal years 1914-15 and 1915-16 and the calendar year 1916 have already been set forth herein. The totals of such expenses were as follows:

1914-15	-----	\$19,259 64
1915-16	-----	9,832 13
1916	-----	12,563 02

Partial estimates of reasonable operating and maintenance expenses for 1917 were presented by Mr. Harry Barnes, for the canal company, and Mr. M. H. Brinkley, for the Railroad Commission. Each of these estimates omitted allowances for legal expenses, taxes and license fees.

The testimony shows clearly that the duties of the manager and the engineer can be satisfactorily performed by one man having an engineering training. At present the manager receives a salary of \$250.00 per month, which includes his services as attorney, and the engineer \$150.00 per month. An allowance of \$200.00 per month for the manager-engineer would, in my judgment, be sufficient. Further large legal expenses are not to be anticipated. A part of the anticipated expense for materials is provided for in the depreciation annuity. An additional allowance of \$300.00 should be made for maintenance of the measuring weirs which will be installed under the order herein.

I find that a reasonable allowance for operating and maintenance expenses, including taxes, is the sum of \$10,500.00 annually.

7. *Pumping Competition.*

One of the most important factors to be considered in the establishment of rates herein is the operation of an increasingly large number of pumping plants in the general territory to the service of which the canal company's water has been dedicated.

This territory is underlain with water-bearing sands so that water can be found at almost any point at a depth of from 15 to 40 feet. In order to secure satisfactory landings, the wells are generally drilled to a depth of from 70 to 110 feet. The wells are operated partly by electric motors and partly by gas engines.

The following tabulation shows the acres irrigated by the canal company each year from 1889 to and including 1916. The drilling of wells by landowners in this territory began in 1904 or 1905.

Year	Acres Irrigated	Year	Acres Irrigated
1889	4,359	1903	13,448
1890	8,192	1904	10,679
1891	11,174	1905	11,568
1892	13,523	1906	10,068
1893	13,366	1907	9,942
1894	12,037	1908	9,577
1895	12,381	1909	10,703
1896	12,656	1910	10,284
1897	12,539	1911	9,716
1898	12,304	1912	9,066
1899	12,304	1913	8,222
1900	13,105	1914	6,553
1901	13,841	1915	6,279
1902	13,528	1916	5,785

Exhibit "I" attached to the petition herein shows that in 1916, 112 pumping plants were operating on 7,454 acres in said 24,325-acre tract. Their rated capacity was 97,655 gallons per minute or 217 cubic feet per second. Petitioner filed herein as Exhibit 14 a supplemental list of pumping plants, consisting of 29 plants, operating on 1,449 acres, and having a rated capacity of 18,270 gallons per minute or 40.6 cubic feet per second. In March, 1917, there were thus 141 pumping plants in this area, irrigating 8,903 acres of land. As already shown, the canal company irrigated in 1916 only 5,785 acres.

The petition herein states, in part:

"that additional pumping plants are being installed upon the said irrigated area and will continue to be installed from year to year."

The testimony shows that the principal reasons for the installation of the pumps have been the fact that the canal water is not available after about July 15 and the uncertainty of securing an adequate supply from the canal company before July 15. Pumps installed for these purposes are frequently used during the entire season.

Petitioner's brief herein says in part:

"The value of the company's property, useful to the system, is so high that any fair rate that should be fixed upon the investment would be prohibitive.

"Therefore, the rates should be based upon the comparative cost of pumping water in that district, which Mr. Brinkley found to be, on an average, the sum of \$2.00 per acre-foot."

Mr. Brinkley's estimate was based on a 12-inch well producing two second-feet of water for 12 hours each day for 180 continuous days.

The well was assumed to be electrically operated, to have a small reservoir attached and to lift the water a distance of 35 feet.

Mr. Barnes presented as petitioner's Exhibit No. 37 an estimate of the cost per acre-foot of operating pumps of different sizes, partly by electricity and partly by gas engines. Mr. Barnes' estimate of cost under conditions similar to those assumed by Mr. Brinkley coincides closely with the latter's estimate.

Mr. Brinkley also testified that at the same cost for pumping and canal water, the farmers would all pump for the reason that the pumped water is available much later in the season than the canal water and hence is of much greater value to the irrigationists. He testified that with pumped water costing \$2.00 per acre-foot, the canal company could not hope to hold its business if its rate was much more than \$1.00 per acre-foot.

Quite a number of irrigationists testified that it costs them between 50 cents and 75 cents per acre to pump water. These costs are for electric energy alone and make no allowance for return on the investment, depreciation, repairs or labor.

8. *Rates—Past and Present.*

As already indicated, the rates charged by the predecessors of the canal company, prior to 1889, were \$2.00 per acre annually for alfalfa and \$1.00 per acre for vines, trees and grain. These rates were based on the assumption that vines, trees and grain would be irrigated once during the season and alfalfa twice.

The rate of \$1.00 per acre specified in all the so-called water-right contracts, has continued in effect from 1889 to the present time with the exception of one modification established by the supplemental order of April 3, 1914, of this commission, made in Cases 418 and 498 (Vol. 4, Opinions and Orders of Railroad Commission of California, p. 623). This supplemental order specified in part that whenever a contract holder used water in excess of the amount specified in his contract, he should pay the same rates as were being paid by noncontract holders. The interpretation placed upon the words "excess water" by the canal company has aroused much resentment among its consumers and has been such that almost every contract holder who used water on all his land has been compelled to pay "excess" rates. It is unfortunate that the formal presentation of this matter to the commission has been so long delayed. The order herein will cure this situation for the future.

Noncontract holders, from February 18, 1899, to the present time, have continuously paid \$1.30 per acre for the first irrigation and 50 cents per acre for each subsequent irrigation, as provided in Ordinance No. 50 of the board of supervisors of Madera County.

The testimony shows that the canal company makes no difference whatever in service as between a contract holder and a noncontract holder. Each secures in turn, his share of such water as is available. The noncontract holder, under these circumstances, has the advantage that he pays for water only when he takes it, while the contract holder has been paying \$1.00 per acre annually even though he has taken no water. This situation has caused considerable dissatisfaction among the canal company's customers.

9. Rates Herein Established.

a. Basis of Rates Herein Established.

In the petition herein, the canal company asked for the establishment of a rate of \$3.90 per acre for the first irrigation and \$1.50 per acre for each subsequent irrigation, or a rate of \$2.00 per acre-foot per annum. Such rates would undoubtedly drive away practically all the business still remaining to the canal company and completely ruin the company.

Common sense as well as the decided cases require that the rates to be charged by the canal company shall be reasonable from the point of view of the consumer as well as just to the company in so far as possible. If the rates can not be made high enough to yield a full return to the canal company, the canal company must be content with a smaller return.

A realization of this situation, as the hearing herein progressed, prompted the following colloquy (Transcript, p. 434):

“COMMISSIONER THELEN: Now, Mr. Hargrove, before we turn to the other features of the case, I would like to ask you what the position of the company is on this question: Do you want the commission to establish rates in this case so high that you will lose practically all of the rest of your business?”

MR. HARGROVE: No. All we want is simply a reasonable rate, taking the interests of the company into consideration and the interests of the water consumers. In other words, we want something that is practicable and feasible for this community.

COMMISSIONER THELEN: What I have in mind is this: You are confronted with a very difficult situation here. If we establish rates on the basis of the full value of all your property the chances are that you will lose what little business you have left.

MR. HARGROVE: Yes. Well, we want the commission to use discretion in that, and if we have got more property than the rates will stand we will have to stand for an adjustment, because the interests of the consumer will have to be taken into consideration as well as the company, and if we have got a greater valuation than we ought to have for the system, why, of course, that is a matter or burden that we will have to carry.”

As already indicated, the petitioner in its brief herein reiterates this position and adds that “the rates should be based upon the comparative cost of pumping water in the district.”

b. Low Rates for Early Water.

All parties are agreed that it would be desirable, from the point of view both of the canal company and of the community, to establish low rates for the use of water during the winter and early spring months.

Prior to the establishment of the rate of \$1.30 for the first irrigation and 50 cents for each subsequent irrigation, a large acreage of grain and other produce was irrigated during the early spring months. The rate of \$1.30 for the first irrigation and 50 cents for each subsequent irrigation is illogical in theory, in that it is highest at the time when the water is most plentiful and least valuable and lowest when the water is least plentiful and most valuable. It was also disastrous in practice because it drove away a large amount of business from the canal company.

The establishment of a relatively low rate for the winter and early spring months will be a constructive step forward for all parties concerned.

c. Request for \$1.00 Rate for Entire 24,325 Acres.

In the petition herein, the canal company requests authority to charge \$1.00 per acre annually to each acre of land within the area of 24,325 acres hereinbefore referred to, entirely irrespective of whether the land does or does not take water from the canal company's canals.

The request is based on the claim that the seepage of water from the canal company's canals raises the water level in the entire district and hence reduces the operating expenses of all pump operators and increases the moisture content of all the land.

The request is, in effect, that this commission compel the payment of rates to the canal company by landowners who pump water which was once in the possession of the canal company, but is now fugitive water and by other landowners who do not take water from the canal company and who do not pump.

Entirely apart from the issue of fact as to the extent to which the canal company's operations have raised the water level in this community, as to which there is a conflict of evidence herein, it seems entirely clear that this commission would have no jurisdiction to make any such order.

Petitioner has reached the same conclusion in its brief and now, in effect, withdraws this request.

d. Form of Rate.

All the engineers who testified in this proceeding urged that the rate to be established herein should be the acre-foot rate (based on the quantity of water used) and not the acre rate (based on the number of acres irrigated). Among the consumers of the canal company, opinion on this question was divided.

While I appreciate that the consumers under this system have long been accustomed to a rate based on the number of acres irrigated and hence naturally cling to it, I am convinced that the acre-foot rate is fundamentally right and should be adopted under this system. The acre-foot rate is right—(1) Because it is fundamentally just that each consumer should pay for what he receives, which can be done only by measuring the water; and, (2) because the sale of water by measure creates prudence in the use of water and checks waste, increases the amount of water available to the community and thus helps to develop a larger acreage and to increase the general prosperity.

The canal company is willing to install and operate the necessary measuring devices in connection with an acre-foot rate and asks authority to do so.

I am satisfied that after a fair test, the consumers under this system will agree that the acre-foot form of rate is more just and constructive than the acre rate heretofore in effect.

e. Reasonable Rates.

In its brief herein, petitioner suggests the following rates:

From October 1 to February 1	-----	\$.60 per acre-foot of water delivered
During February	-----	.90 per acre-foot of water delivered
During March	-----	1.20 per acre-foot of water delivered
During April	-----	1.30 per acre-foot of water delivered
During May	-----	1.45 per acre-foot of water delivered
During June	-----	1.55 per acre-foot of water delivered
From July 1 to October 1	-----	1.70 per acre-foot of water delivered

Bearing in mind the amount of water available at the canal company's intake, month by month, this schedule is equivalent to an average rate of \$1.20 per acre-foot throughout the season.

The consumers in their brief protest that these proposed rates are too high and will not enable the canal company to sell its water.

There was considerable testimony at the hearing to the effect that a rate of 50 cents per acre for each irrigation until some time in March, 75 cents per acre for each irrigation until April 15 or May 1, and \$1.30 per acre for each irrigation thereafter would be satisfactory to the consumers.

The Railroad Commission's hydraulic division suggests a rate of 50 cents per acre-foot from October 1 to March 1, and \$1.00 per acre-foot thereafter.

After careful consideration, I am inclined to accept the hydraulic division's suggestion, except that the rate subsequent to May 31 should be \$1.25 per acre-foot instead of \$1.00.

I find as a fact that the following rates are just and reasonable rates to be charged and collected by the canal company for water delivered by it for irrigation :

October 1 to March 1.....	\$.50 per acre-foot
March 1 to June 1.....	1.00 per acre-foot
June 1 to October 1.....	1.25 per acre-foot

f. Revenue From Rates Herein Established.

An average from the records for 1904, 1905, 1911, 1912, 1913, 1914, 1915 and 1916 shows that, with an allowance of 50 per cent for seepage losses, the following amounts of water are available to the canal company for delivery in the months indicated :

Time.	Acre-feet.
October 1 to February 1.....	2,650
February	3,700
March	4,700
April	4,350
May	4,300
June	2,800
July	850
August	50
	<hr/>
	23,400

The application of the rates herein established would yield the following revenue, assuming that all the available water is sold :

October 1 to March 1.....	6,350 acre-feet at \$.50.....	\$3,175 00
March 1 to June 1.....	13,350 acre-feet at 1.00.....	13,350 00
June 1 to October 1.....	3,700 acre-feet at 1.25.....	4,625 00
		<hr/>
Total		\$21,150 00

It is not reasonable to assume that *all* the water which the canal company is capable of delivering will be sold. Mr. Barnes and Mr. Brinkley have both assumed that 70 per cent will be sold. On this basis, the revenue to be derived from the rates herein established would be \$14,805.00.

g. Water Right Contracts.

That the Railroad Commission has jurisdiction to change the rate specified in contracts made by public utility water companies, for water sold by them, is too well established to justify discussion or citation of authorities.

A more difficult question arises with reference to the contract holders under this system who are not taking water under their contracts.

If any such holders desire to continue to pay \$1.00 per acre annually in return for such priority of right, if any, as such payment may give them as against other persons whose lands are within the area to the use of which the canal company's water has been dedicated but who are not making any payment, or for any other reason, no particular

difficulty will arise. Such payment would be made as a matter of contract obligation and not under the rates herein established.

But if any such holder should not desire to receive water or to secure such advantages, if any, as the payment of the \$1.00 per acre per annum may bring, a more difficult question may arise. If the canal company should be willing to cancel the contract under an equitable arrangement, the problem would be solved, but if the canal company should not be willing to cancel the contract, the respective rights and obligations of the parties thereunder would be a matter for the courts and not for this commission. This commission has jurisdiction to establish the rate to be paid for water sold by a public utility or the rate to be paid by a customer desiring to establish the relationship of customer and utility (a minimum rate for readiness to serve), but not a rate to be paid by a person who does not desire to purchase water or to be placed in the status of customer of a public utility water company with the right to call on the utility for water whenever he desires to do so.

10. *Rules and Regulations.*

The rates herein established will make necessary certain changes in the rules and regulations of the canal company, with reference to rates, the making of applications for water and other matters. Within twenty days from the date of the order herein, the canal company should submit for approval revised rules and regulations.

The rules and regulations now in effect provide that the canal company shall supply no water to lands not heretofore actually irrigated from this system. If the canal company desires now or hereafter to supply water to other lands, it may present a revised rule or regulation.

The testimony herein shows that there is considerable friction and ill feeling between the canal company and the landowners. The increasing number of pumping installations is in part due to this cause. In letter dated March 22, 1917, to the canal company, Mr. A. Griffin, chief engineer of the South San Joaquin Irrigation District, who appeared as one of the canal company's witnesses herein, says in part:

"The fixing of an adequate rate will not, in itself, solve your problem. Friendly relations, a desire to purchase on the part of the consumer and cooperation in operation between the company and the consumer must be promoted by sympathetic and well-directed efforts on the part of the company."

This advice is sound and is peculiarly applicable to conditions under this canal system. I recommend it to the consideration of all parties.

The rates herein suggested are, in our opinion, just and reasonable. However, if they should in any respect operate inequitably, complaint on application for their modification may be made after one year's trial.

I submit the following form of order:

ORDER.

Madera Canal and Irrigation Company having applied to the Railroad Commission for an order authorizing the company to increase its rates for water sold for irrigation, a public hearing having been held, briefs having been filed, and this proceeding being now ready for decision, the Railroad Commission hereby finds as a fact that the rates herein established are just and reasonable rates and that the rates heretofore charged by Madera Canal and Irrigation Company are unjust and unreasonable in so far as they differ from the rates herein established.

Basing its order on the foregoing findings of fact and on the other findings which are contained in the opinion which precedes this order.

It is hereby ordered that Madera Canal and Irrigation Company be and the same is hereby authorized to file with the Railroad Commission, within twenty days from the date of this order, and thereafter charge, the following rates for water sold for irrigation:

Water delivered from—

October 1 to March 1-----	\$.50 per acre-foot
March 1 to June 1-----	1.00 per acre-foot
June 1 to October 1-----	1.25 per acre-foot

It is further ordered that Madera Canal and Irrigation Company submit to the Railroad Commission, within twenty days from the date of this order, revised rules and regulations applicable to the sale of water by said company for irrigation.

It is further ordered that in all other respects the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4479.

**IN THE MATTER OF THE APPLICATION OF OAKLAND, ANTIOCH AND
EASTERN RAILWAY COMPANY TO DISCONTINUE SERVICE ON
SACRAMENTO VALLEY ELECTRIC RAILROAD.**

Application No. 2937.

Decided July 23, 1917.

Upon a showing that it is incurring a large annual loss which it is in no position to carry at the present time, applicant is authorized to discontinue operation of trains over the line of Sacramento Valley Electric Railroad running from Dixon to Dixon Junction, a distance of 11.8 miles, which it has been operating as a branch line.

Jesse Steinhart, for Applicant.

Goodfellow, Eells, Moore & Orrick, by *C. J. Goodell*, for Palmer & McBride.

J. L. Smith, for Sacramento Valley Electric Railroad.

Walter Shelton and *B. T. Blake*, for a committee of creditors of Sacramento Valley Electric Railroad.

EDGERTON, *Commissioner*.

OPINION.

This is an application by the Oakland, Antioch and Eastern Railway Company, under the provisions of General Order No. 36 of this commission, requesting authority to discontinue operation over the line of the Sacramento Valley Electric Railroad from Dixon Junction to Dixon, for the reason that the operating cost has always been in excess of the revenue received.

A public hearing was held in San Francisco on May 31, 1917, the matter was submitted and is now ready for decision.

The line of the Sacramento Valley Electric Railroad extends from Dixon Junction to Dixon, a distance of 11.8 miles. This line has been operated since January 1, 1915, by the Oakland, Antioch and Eastern Railway as a branch line and under a verbal arrangement whereby the latter company agreed to operate one car per day for the total receipts, and by which all operating costs were to be assumed and track maintenance charges to the extent of supplying not in excess of four track men. All additional track maintenance charges were to be assumed by the Sacramento Valley Electric Railroad Company, together with any construction costs that might accrue. The verbal agreement was made with the understanding that it might be terminated by the Oakland, Antioch and Eastern Railway at its option.

A service of eight trains per day in each direction has been maintained, making connection at Dixon Junction with the main line passenger trains of the Oakland, Antioch and Eastern Railway. Car-load freight has been handled in mixed trains.

Record of receipts and operating expenses show the following data:

Period	Receipts	Operating expenses	Net deficit
Year ending December 31, 1915-----	\$4,320 87	\$13,744 38	\$9,423 51
Year ending December 31, 1916-----	4,797 59	14,155 67	9,358 08
Five months ending May 31, 1917-----	1,792 08	5,631 25	3,839 17
Monthly average -----	\$376 22	\$1,156 25	\$780 03

It is evident from the showing in the foregoing statement that the operation of the line of the Sacramento Valley Electric Railroad by the

Oakland, Antioch and Eastern Railway is conducted at a considerable financial loss, the deficit shown above including no taxes or depreciation. An analysis of the operating expense accounts does not indicate that any excessive charges have been made against the operation of the line; in fact, a less expense per car mile has accrued on the Dixon branch than on the main line of the Oakland, Antioch and Eastern Railway.

An investigation by the service department of the commission indicates that the traffic handled and the possibility of increased traffic does not warrant the recommendation that the line be continued in operation.

In view of the fact that the Oakland, Antioch and Eastern Railway is not in a financial position warranting the continued operation of branch lines which are unprofitable and that no relief from present conditions on the Dixon branch is to be expected, I am of the opinion that this application should be granted and submit the following form of order:

ORDER.

Oakland, Antioch and Eastern Railway Company having made application to discontinue operation of the line of the Sacramento Valley Electric Railroad, heretofore operated as the "Dixon branch," a public hearing having been held, the matter being duly submitted, and the commission being fully advised in the premises and of the opinion that the operation of the line can not be continued except at a large operating deficit,

It is hereby ordered that the application be and the same hereby is granted.

This order is to become effective after ten days notice will have been given to the public by the posting of notices at all stations on the line of the Oakland, Antioch and Eastern Railway, including the Dixon branch.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4480.

IN THE MATTER OF THE APPLICATION OF WALTER A. CLARK TO
SELL HIS WATER DISTRIBUTING SYSTEM TO THE TOWN OF
MOUNTAIN VIEW.

Application No. 3046.

Decided June 23, 1917.

BY THE COMMISSION.

ORDER.

Walter A. Clark having asked authority to sell to the town of Mountain View for the sum of \$1,000.00 a water distributing system used to supply approximately twenty-five consumers residing in Clark's Addition contiguous to the town of Mountain View, Santa Clara County, California, the transfer to be made in accordance with the form of conveyance attached to the application in this proceeding, in which conveyance the property to be transferred is described as follows:

“That certain water distributing system used and serviceable in supplying certain inhabitants of the territory adjacent to said town of Mountain View on the northwesterly side thereof, said system consisting of 5,500 feet of two-inch water pipe, more or less, twenty-five water meters, more or less, and all service connections and appurtenances thereto. It is expressly understood that the water tanks, pumping machinery and water pipe connected therefor which are not in streets and real estate on which the same is situated are not conveyed by this instrument. The water pipe hereby conveyed is laid in Mariposa avenue, Villa street and Chiquita avenue.”

And the town of Mountain View having joined in the application, and the commission being of the opinion that no public hearing is necessary,

It is hereby ordered that the application in this proceeding be and the same hereby is granted upon the following condition:

The authority herein granted shall not become effective until the board of trustees of the town of Mountain View shall have filed with the Railroad Commission a stipulation stating that it will supply public utility water service in the area supplied from the system herein authorized to be transferred at as low rates and with as adequate service as has heretofore been rendered by Walter A. Clark, and stating further that the town of Mountain View will not claim before this commission or any other public body, that the consideration paid for the property herein authorized to be transferred, represents the valuation of said property for rate fixing or other purposes.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4481.

IN THE MATTER OF THE APPLICATION OF THE GREAT WESTERN POWER COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE EXERCISE OF A CERTAIN FRANCHISE GRANTED BY THE COUNTY OF PLUMAS, AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION OF ELECTRIC TRANSMISSION AND DISTRIBUTION LINES IN SAID COUNTY OF PLUMAS.

Application No. 2865.

Decided July 23, 1917.

1. The commission itself will endeavor at all times to act as expeditiously as possible; however, when a utility delays filing a proceeding and then urges an emergency exists as reason for rushing its application through without proper consideration, it can not expect thereby to induce the commission to premature action.
2. A public utility does not have the right on its part to select what consumers it shall serve. It is the duty of a utility to supply every reasonable demand made upon it for service at reasonable and nondiscriminatory rates, nor can such duty be modified by contract or otherwise between the utility and any private interest or by the maintenance of facilities unsuitable for general distribution.
3. In case of an insufficient supply of energy the available supply shall be prorated upon an equitable basis, consideration being given to the necessities of the public irrespective of whether or not they are served directly or through the medium of another utility.
4. Applicant granted a certificate authorizing the exercise of rights under a franchise secured from the county of Plumas permitting the construction and operation of electrical transmission and distributing lines in said county, provided that distributing lines shall be confined to territory not now served by existing utilities and that applicant shall continue to supply energy to the Plumas company at reasonable rates.

Chaffee E. Hall, for Great Western Power Company.

Charles F. Potter and *Curtiss Hillyer*, for Plumas Light and Power Corporation.

H. C. Flournoy, in *propria persona*.

DEVLIN, *Commissioner*.

OPINION.

Great Western Power Company, hereinafter designated as petitioner, alleges in general that under authority of this commission it constructed an electric transmission line in Plumas County from its Big Meadows line to Engels Copper Mining Company's mine in August, 1915, and later in January, 1917, a branch line to the Philadelphia Exploration Company's mine at Crescent Mills was authorized by the commission; that petitioner has been serving the two mines with power from its Butt Valley plant; that it has a franchise for the entire county of Plumas; that its Butt Valley plant is not sufficient to supply the present or future demands of Plumas County; that it now proposes to immediately construct a 44,000-volt, 3-phase transmission line from its Las

Plumas Power plant at Big Bend, Butte County, to Crescent Mills, Plumas County, to connect with the existing lines referred to above, and to augment the supply and meet the increasing demands by its existing consumers and prospective consumers' requirements.

Petitioner requests that it be granted a certificate that the present and future public convenience and necessity require and will require by it the exercise of the rights and privileges granted to it by Ordinance No. 182 of the county of Plumas and the construction and operation of electric transmission and distribution lines, and the sale of electric energy in accordance with said rights and privileges in all parts of Plumas County, except in the parts now served by (1) Plumas Light and Power Company, (2) Quincy Electric Light and Power Company, and (3) Grizzly Electric Company. These three companies are the only public utilities of record selling electricity in Plumas County other than applicant.

Grizzly Electric Company, operating a small electric lighting system in Portola and vicinity, filed a protest objecting to Great Western Power Company serving in Portola, Blairsden, Beckwith and Sierra Valley and that part of Plumas County east of the west line of range 12 east, M. D. B. and M. Grizzly Electric Company is only serving the town of Portola and vicinity at the present. It requested, however, that applicant be denied the right to serve approximately one-third of Plumas County. Grizzly Electric Company was not represented at the hearing and no evidence as to its ability to adequately serve the territory was presented.

Quincy Electric Light and Power Company, serving electric energy in and about the town of Quincy, Plumas County, protested the entrance of the Great Western Power Company into territory served by it. Attorney for petitioner stipulated that Great Western Power Company would not request to serve in territory served by the Quincy company, and the protest was thereupon withdrawn.

The main protest against the further entrance into Plumas County by Great Western Power Company was made by the Plumas Light and Power Company, hereinafter designated as Plumas company, which operates an electric system supplying Greenville, Crescent Mills and adjacent territory.

Plumas company protests on the general ground that it had pioneered the field, had struggled along serving the demands during the time it was impossible to make more than expenses; that it had attempted to extend its plant and system but had been denied the right to construct an adequate hydroelectric plant, owing to certain conditions existing at the time, and urged to purchase power from Great Western Power Company; that the Great Western Power Company had unreasonably limited the Plumas company in the contract, thus preventing it from

developing the territory; that petitioner had not fulfilled its requirements, and that if petitioner is allowed to further enter the territory which Plumas company holds itself out to serve, Plumas company's property will become valueless.

Plumas company requests either:

1. That petitioner be denied right to enter any of Plumas County; or if deemed reasonable,
2. Right be granted to serve Engels Copper Company's and Philadelphia Exploration Company's existing demand only; or,
3. That if certificate is to be granted, it be on condition that petitioner purchase Plumas company's property at such fair valuation as may be fixed by the commission; or,
4. That Plumas company's previous application, No. 1438, be reconsidered and it be authorized to issue and sell \$100,000.00 par value of bonds for the construction of its proposed 2,000-horse-power hydroelectric plant and the necessary transmission and distribution lines, and it be allowed to serve the territory; or,
5. In lieu of that order Great Western Power Company be ordered to serve Plumas company with all electricity required for the carrying on of its business under fair and reasonable rates and conditions of service.

It was stipulated that evidence in all previous applications pertaining to service by either party in Plumas County might be considered in evidence.

In 1911, Great Western Power Company constructed an 800-kilowatt hydroelectric plant on Butt Creek, Plumas County, for use in the construction of its reservoir at Big Meadows. Following the completion of the reservoir the plant was practically shut down. Prior to that time, predecessors of Plumas company constructed a small hydroelectric plant of 40 kilowatts capacity near Greenville and supplied lighting service to Greenville and Crescent Mills. Other developments were projected, but not carried out. On November 30, 1914, Plumas company applied for authorization to issue bonds to the face value of \$52,000.00 for the construction of a hydroelectric plant of 400-horse-power capacity, utilizing the waters of Round Valley reservoir. At the time of the hearing the rights to water in Round Valley reservoir were in litigation, and also the prospects for business were not too promising. It was suggested at the time that Plumas company consider building to the Great Western Power Company's line at Big Meadows.

On July 10, 1915, Great Western Power Company filed application for authority to construct a transmission line from Big Meadows past Greenville to the Engels Copper Mining Company's mine on Lights Creek, a distance of about thirty miles, to serve the company's mining power requirements.

Plumas company opposed the granting of authority for the construction of a transmission line and the service to the Engels Copper Mining

Company, but from a consideration of the evidence introduced, it appeared that the extension was justified and the Great Western Power Company was accordingly granted a certificate of public convenience and necessity to construct a line to serve the Engels mine only.

On May 20, 1916, Plumas company applied to the commission for authorization to issue notes to cover cost of extensions of distribution lines in order to serve prospective consumers. This application was granted. Apparently Plumas company was not able to sell all the notes and no great amount of extension has been made.

Under date of August 18, 1915, a contract was entered into between the Great Western Power Company and the Plumas company for the supplying of energy to the latter at Greenville, and thereafter service was rendered and the Plumas company's plant was shut down, current being purchased from the Great Western Power Company. In this contract the rights of the Plumas company for power were limited to 200 kilowatts and further limited to the excess power available at the Butt Valley plant in excess of the requirements of the Engels Mining Company.

On November 16, 1916, Great Western Power Company filed an application for authorization to construct a transmission line from its existing line between Big Meadows and Engels mine to Crescent Mills to supply the power requirements of the Crescent mine of the Philadelphia Exploration Company at Crescent Mills. Great Western Power Company had entered into a contract with Mr. A. C. Burch of the Philadelphia Exploration Company and desired a certificate of public convenience and necessity to exercise its franchise in so far as necessary to serve the requirements of said mine. Plumas company again opposed the extension of the Great Western Power Company's lines, but from the evidence presented, it appeared that under the circumstances existing at that time, the proposed requirements of the mine were in excess of what could economically be handled by the Plumas company, although the mine was adjacent to that company's lines. At that time it appeared that the Butt Valley plant did not have sufficient capacity to supply the future requirements of the exploration company's mine, and additional demands to be made by the Engels company, and Great Western Power Company advised that it was its plan, provided the certificate was granted, to construct a transmission line from Las Plumas plant to Crescent Mills to increase the available supply and meet the growing requirements of Plumas County.

A certificate was granted Great Western Power Company January 11, 1917, to exercise its Plumas County franchise to the extent of serving the Crescent mine of Philadelphia Exploration Company.

Great Western Power Company is now proposing to construct the line from Las Plumas plant to Crescent Mills and is asking the right

to serve throughout the entire county with the exception of territory now served by other companies.

The testimony of Mr. W. W. Briggs, general agent of the petitioner, in the present application was to the effect that the Butt Valley plant was then operated to its full capacity; that Engels Mining Company desired to increase its demand approximately 2,000 horsepower, and that the Philadelphia Exploration Company's mine would require in the neighborhood of 1,500 to 2,000 horsepower.

In addition to these two mining customers, Mr. Briggs testified that there were prospects that the Walker Mining Company might develop a mine in the Genesee Valley, with an initial demand of approximately 300 horsepower, and a final demand between 1,000 and 2,000 horsepower. He also stated that the United States Mining Company might possibly commence operations and require in excess of 1,000 horsepower. There was nothing definite regarding these prospects.

The proposed transmission line of the petitioner from the Las Plumas plant will be approximately 50 miles in length, operated at 44,000 volts, with a capacity of approximately 3,000 kilowatts. The cost of the line is estimated at \$154,000.00. This 3,000 kilowatts, in addition to the capacity of the Butt Valley plant, is estimated to be ample to take care of the present and immediate future demands for electric power in Plumas County. It appears further from the evidence that petitioner had, at the time of the hearing, obtained rights of way for a transmission line and that it is proceeding with the construction of the same.

At the hearing in Application No. 2634, petitioner, Great Western Power Company, urged that the exigencies of the Philadelphia Exploration Company's demand, which was stated to be at least 300 horsepower by April 1, 1917, required that construction of petitioner's line to Crescent Mills be completed in the shortest possible time. It was also maintained by petitioner that, due to the exigency of this demand and the amount of power involved, only Great Western Power Company could supply the power required. It was further urged that, if granted permission to do so, Great Western Power Company could supply the initial needs of Philadelphia Exploration Company in approximately fifteen days and the larger additional demands of both this company and the Engels Copper Mining Company in approximately four months. As a matter of fact, petitioner did not complete its line to the Crescent mine until about forty-five days after receiving authority from the commission to serve this consumer, whose demand, limited by petitioner's ability to serve, is now only about 65 horsepower instead of 300 horsepower as estimated. Apparently, petitioner will not be able to supply the additional requirements of its two mining consumers in Plumas County for some time.

In this proceeding the exigency of the needs of certain power users in Plumas County is again advanced by petitioner as ground for requesting early and favorable action by the commission on the present application, and to the extent that this exigency actually exists it is entitled to every consideration which can reasonably be awarded under the circumstances.

The commission at all times endeavors to act as expeditiously as possible upon matters presented to it for consideration, and to proceed in such a manner that the interests of the public as well as those of the utility are properly safeguarded. However, it may be as well to point out that where matters of exigency are involved, an obligation rests upon the utility as well as upon the commission. If the present exigency which petitioner assumes to exist does exist, as a matter of fact, it should have led petitioner to have presented the matter to the commission at an earlier date. The commission will not be induced to act prematurely upon any matter on the plea that an emergency exists, particularly when, as in this case, it is obvious that the application could have been presented at a much earlier date.

It may be urged that the delay in fully supplying the requirements of the Engels Copper Mining Company and the Philadelphia Exploration Company was occasioned by an informal request by the commission that work on the Las Plumas-Crescent Mills line of Great Western Power Company be suspended pending the consideration by the commission of the issues raised in this proceeding by the protest of the Plumas company. In this connection it should be pointed out that the suggestion that work be suspended was made only a few days before the date of hearing, at which time attorneys for petitioner strenuously maintained that the commission had no authority to require such suspension and refused to give any assurance that the work would not proceed. While the authority of the commission over the present construction by petitioner of the Las Plumas-Crescent Mills transmission line is not an issue in this proceeding and need not be discussed at this time, the purpose for which the line will be used when completed and the entire extent of the petitioner's activity in Plumas County are matters which are now before the commission for decision.

Evidence submitted on behalf of Plumas company in this proceeding discloses the fact that line extensions to serve Taylorsville are now in course of construction and that electric power for distribution in Taylorsville and vicinity will be purchased from Great Western Power Company. It further appears that Plumas company has entered into agreements to supply electric power to the "F. C. D." Company near Greenville and the Grizzly Electric Company at Portola.

Plumas company has supplied or is preparing to supply, so far as the evidence discloses, all demands for electric power in that portion

of Plumas County which can normally be reached by its lines with the exception of the Engels Copper Mining Company and the Crescent mine at Crescent Mills.

Present industrial conditions with attendant revival of the mining industry in Plumas County have caused an unexpected demand for electric service in that territory far beyond the present ability of Plumas company to meet. Prior to the recent activity in mining, the resources of Plumas County have lain practically dormant for many years and in view of the fact that the present new development of the county began rather unexpectedly as a more or less direct result of the present international war, it is not surprising that Plumas company should have found itself unprepared, as was also the Great Western Power Company, to meet a condition which neither utility could reasonably have been expected to fully anticipate. However, when the new demand occurred and it became evident that Plumas company could not with its own resources and facilities meet the requirements within a reasonable period of time, the commission had no recourse other than to grant the request of Great Western Power Company when that utility applied to enter the field. At the time Great Western Power Company applied for permission to serve the Engels Copper Mining Company and again when it applied to serve Philadelphia Exploration Company, petitioner maintained that it was in a position to supply the immediate requirements from its Butt Valley plant and the commission, notwithstanding its desire to protect the smaller company, could not under the circumstances turn a deaf ear to the apparently pressing needs of those mining interests which had arranged for a supply of power from petitioner.

Plumas County now promises to be a fruitful field for the sale of electric power and in so far as possible Plumas company should be permitted to share in the general prosperity. In making this declaration I am not unmindful of the fact that Plumas company has steadfastly maintained electric service in Plumas County during a period when none of the larger companies looked with covetous eyes on its then undisputed territory, and that only when for the first time there appears to be a material reward in prospect are its rights contested.

Butt Valley plant of Great Western Power Company was not constructed for the purpose of serving the public but was built to supply the electric power required by petitioner in constructing its Big Meadows dam. Although this plant, having an installed capacity of about 800 kilowatts, was placed in operation about 1911 and is located but a few miles from the territory served by Plumas company, it remained idle, or practically so, for several years without supplying a single consumer other than petitioner's own employees, and it was not until the recent activity in mining began that petitioner made an attempt to utilize any

portion of the capacity of the Butt Valley plant in the service of the public.

During the period of general inactivity in Plumas County the Plumas company and its predecessor were not entirely dormant as shown by the fact that, since its present hydroelectric plant at Greenville was completed in 1909, continuous efforts have been maintained to finance a larger plant. That these efforts have been unsuccessful up to the present time does not alter the significant fact that Plumas company and its predecessor were first to realize the potential possibilities of Plumas County as a market for relatively large amounts of electric power. The failure of Plumas company to successfully finance additional power developments during the past five years was due in part, no doubt, to the fact that its confidence in Plumas County, which has since been amply vindicated, was not shared by those who were asked to provide the necessary money. The fact that the waters of Round Valley reservoir, a necessary factor in the proposed scheme of power development, were continuously involved in litigation, had an important bearing on the inability of Plumas company to proceed with its plans and this also was the primary reason why the commission did not feel at liberty to authorize the issuance of bonds to finance the project. At the time the commission rendered its decision in the matter of the application of the Plumas company to issue bonds for the purpose of partially developing the Round Valley reservoir project (Decision No. 2192. Opinions and Orders of the Railroad Commission of California, Vol. 6, p. 267), the litigation over water rights was still pending. However, at a later date the Superior Court fully affirmed the rights of Round Valley Water Company and of Plumas company and entered judgment against the adverse claimant. This case is now pending in the Appellate Court and apparently involves only a portion of the water. It also appears from the evidence that the litigation could now be compromised on a basis which would permit the Plumas company to proceed with the construction of a plant having a capacity of approximately 2,000 horsepower.

At the present time it might be shown that the development of the Round Valley project by Plumas company is or will be justified by the increasing demands for electric power in the general territory which can be economically reached by its lines, or it may even develop that the completion of this plant is necessary. In any event, it is only just and reasonable that sufficient territory be reserved to Plumas company so that it will be enabled to continue its operations with the assurance of reasonable protection in a field which, if it should prove necessary, will warrant the completion of its proposed Round Valley plant.

At the present time, however, it would seem that the development of a new hydroelectric project by Plumas company is not desirable from

an economic point of view. Petitioner had applied for permission to supply electric energy "in all parts of the county of Plumas except in the parts of said county *now* served by the Plumas Light and Power Company, the Quincy Electric Light and Power Company, and the Grizzly Electric Company." Inasmuch as the territory, in addition to that now being served by Plumas company, will be reserved to it by the order herein, and bearing in mind that petitioner now supplies Plumas company with electric energy for resale in said territory, petitioner's request to serve the entire county should be granted with the distinct understanding that service in the reserved districts shall be supplied by petitioner in such districts only through the agency of the local distributing companies.

Petitioner, while maintaining that it has no desire to oppress the Plumas company, contends that the Plumas company occupies the position of a competitor, and questions the right of any public authority to force it to serve the Plumas company with additional power over and above that provided for in the present contract between these two parties.

As to the matter of competition between petitioner and the Plumas company, this possibility can and will be eliminated by a demarcation of territory, so that the question of oppression of the smaller utility by the larger need not enter as a factor in the determination of the issues involved in this proceeding; neither will it be necessary for petitioner henceforth to consider Plumas company in the light of a competitor whom petitioner may feel some hesitancy or embarrassment in serving to the full extent of its ability.

As to whether or not a public utility may say whom it will serve and whom it will not serve, it may be well to point out that the commission has heretofore had occasion to call petitioner's attention to the fact that the duties and obligations which it has undertaken as a public utility do not contemplate the right on its part to select the consumers it will serve. While it is true that up to the present time petitioner has, as a matter of fact, selected its consumers in Plumas County and has not undertaken any service in that territory to the general public except through the agency of the Plumas company, petitioner's duty and obligation is not and can not be affected by this policy, nor can petitioner expect that the commission will permit the continuation of such a policy when it may appear that the interests of the public require general service. It is clearly the duty of a public utility, situated as is the petitioner, to supply every reasonable demand for service at non-discriminatory rates and under just terms and conditions. Nor can this duty be avoided, modified or abridged in any manner whatsoever, either by contract between the utility and any private interest or by the maintenance of unsuitable facilities for general distribution.

By reserving a definite territory to Plumas company, that company will henceforth occupy precisely the same position with relation to petitioner as that occupied by any other consumer who is or may be entitled to receive service, except to the extent that the public utility character of Plumas company's business may entitle it to preference. It will therefore be the duty of petitioner henceforth to supply electric energy to the Plumas company at rates and under terms and conditions reasonably comparable with those accorded to other patrons of petitioner in Plumas County. In case of a temporary insufficient supply of electric energy to meet all of the reasonable demands in the territory which petitioner has elected to serve, the available supply will of course be prorated upon an equitable basis, consideration being given to the necessities of the public, irrespective of whether or not these necessities arise directly or through the medium of another utility.

After a careful consideration of all the evidence introduced in this proceeding, I find as a fact that present and future public convenience and necessity require and will require the exercise by petitioner of the rights and privileges granted to it under Ordinance No. 182 of the board of supervisors of Plumas County to the full extent herein-after indicated and not otherwise.

First: Present and future public convenience and necessity require and will require the furnishing by Great Western Power Company of electric energy in such quantities or amounts as may be required to serve and supply all reasonable demands in Plumas County, irrespective of whether these demands are or may be made directly upon said Great Western Power Company from consumers or prospective consumers whose point or place of use is located within territory in said county not specifically reserved to other electrical utilities, or whether said demands for electric energy are now or may hereafter be made by other electric utilities for distribution and resale within any of the reserved territories in said county.

Second: Present and future public convenience and necessity require and will require the construction, operation and maintenance by Great Western Power Company of transmission lines and facilities, as distinguished from distribution lines and service facilities, into and throughout the county of Plumas for the purpose of transmitting or conducting such electric energy as is or may be required to meet all reasonable demands for electric service in said county.

Third: Present and future public convenience and necessity require and will require the construction, operation and maintenance of distribution lines and service facilities and the supplying of electric energy and service by Great Western Power Company to all classes of consumers for their own use throughout the entire county of Plumas with

the exception of those portions of said county specifically reserved to other electrical utilities and described as follows:

(a) Reserved to Grizzly Electric Company: All of township 22 north, range 13 east, M. D. B. and M.

(b) Reserved to Quincy Electric Light and Power Company: All of township 24 north, range 9 east, M. D. B. and M.

(c) Reserved to Plumas Light and Power Company, with the exception of the electric energy supplied or to be supplied by Great Western Power Company to Philadelphia Exploration Company for use for mining purposes for the operation of Crescent mine at or near Crescent Mills: All of township 25 north, ranges 9, 10 and 11 east; all of township 26 north, ranges 9, 10 and 11 east, and all of that portion of township 27 north, ranges 9 and 10 east lying within the county of Plumas.

Fourth: Present and future public convenience and necessity require and will require that Great Western Power Company continue to supply Plumas Light and Power Company with such electric energy as the latter may reasonably require for distribution and resale in that portion of Plumas County reserved to it as herein set forth; provided that the reasonableness of the requests of Plumas County for power may be submitted to this commission on petition of Great Western Power Company.

Petitioner should be required to establish and file with the commission, within twenty days from the date hereof, complete schedules of rates, rules and regulations applicable to Plumas County.

I submit the following form of order:

ORDER.

Great Western Power Company having applied to the Railroad Commission for a certificate that present and future public convenience and necessity require and will require the exercise by it of rights and privileges granted it under a certain franchise by the county of Plumas, except as noted in the opinion which precedes this order, and the construction of transmission and distribution lines and the sale of electric energy under said franchise; and public hearings having been held, and the matter having been submitted, and the commission being fully apprised in the premises, the Railroad Commission hereby finds as a fact,

1. That present and future public convenience and necessity require and will require the construction, operation and maintenance by Great Western Power Company of distribution lines and service facilities to serve and supply electric energy to all classes of consumers for their own use throughout the entire county of Plumas, with the exception of those portions specifically reserved to other electric utilities as described

and set forth in the opinion preceding this order and subject to the conditions hereafter set forth.

2. That present and future public convenience and necessity require and will require the construction, operation and maintenance by Great Western Power Company of transmission lines and facilities as distinguished from distribution lines and service facilities into and throughout the county of Plumas for the purpose of transmitting or conducting such electric energy as is or may be required to meet all reasonable demands made upon Great Western Power Company for electric service in said county.

3. That present and future public convenience and necessity require and will require the exercise by Great Western Power Company of all the rights and privileges granted it by Ordinance No. 182 of the county of Plumas in the entire county of Plumas with the exception of that specific territory reserved to other electric utilities as described and set forth in the opinion preceding this order, and the exercise by Great Western Power Company, in so far as necessary to transmit electric energy, of rights and privileges granted by Ordinance No. 182 of the county of Plumas in so far as necessary in the entire county of Plumas, including that reserved to other utilities.

The rights herein granted are conditioned upon the following and not otherwise:

1. That Great Western Power Company shall not serve consumers or prospective consumers, other than those already served, located within the territory reserved to other utilities except upon application to this commission and receipt of an order granting such rights.

2. That Great Western Power Company shall continue to supply Plumas Light and Power Company with such electric energy at reasonable rates as the latter may require of it for distribution and resale in that portion of Plumas County reserved to it.

3. That Great Western Power Company establish and file with the commission within twenty (20) days from the date hereof complete schedules of rates, rules and regulations applicable to Plumas County.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4482.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA-OREGON
POWER COMPANY FOR AN ORDER AUTHORIZING THE CHARGING
OF CERTAIN RATES.

Application No. 3009.

Decided July 23, 1917.

BY THE COMMISSION.

ORDER.

Whereas California-Oregon Power Company, in the year 1910, entered into an oral agreement with Edward Stalleup & Sons Company whereby said power company agreed to furnish electric energy to said Edward Stalleup & Sons Company to be used for irrigating purposes at Mayten, county of Siskiyou, at the rate of \$765.00 per season for a season not to exceed six months per year, for a 35-horsepower motor, said agreement to continue during period of five years and to cease with the irrigating season of the year 1916; and whereas California-Oregon Power Company has carried out the terms of said agreement prior to and including the season ending in September, 1916, and has applied to this commission for authority to now increase its rates for service to said Edward Stalleup & Sons Company so that they will conform with its standard schedule of rates, as they have heretofore been filed with the Railroad Commission, for service to other consumers operating under similar conditions; and whereas the standard rate on file for this class of service is \$25.00 per horsepower per irrigating season of five months; and whereas said Edward Stalleup & Sons Company require service for a season of six months, and California-Oregon Power Company having applied to the commission for authority to charge for said service the sum of \$27.50 per horsepower per season for such season of six months, and it appearing to the commission that this is not a case in which a public hearing is necessary and that the application should be granted,

It is hereby ordered that this application be and the same is hereby granted upon the condition, and not otherwise, that California-Oregon Power Company, within ten days from the date hereof, file with this commission, as one of its regular schedules, the aforesaid rate for irrigating service for a six months' season.

Dated at San Francisco, California, this twenty-third day of July, 1917.

DECISION No. 4483.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO MAKE, EXECUTE AND DELIVER A TRUST DEED COVERING ALL OF ITS PROPERTIES TO SECURE A BONDED INDEBTEDNESS AND TO ISSUE, SELL AND DELIVER TEN MILLION DOLLARS FACE VALUE OF BONDS UNDER SAID TRUST DEED.

Application No. 3032.

Decided July 25, 1917.

Supplemental order authorizing applicant to issue additional bonds of the face value of \$1,978,000.00 to be exchanged for an equal face value of its 6 per cent five-year debentures.

H. H. Trowbridge, for Applicant.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas on July 19, 1917, an order of this commission was made authorizing Southern California Edison Company among other things to execute a trust deed of all of its property as security for the issuance of bonds, and said order provided that the final form of said trust deed should be submitted for the approval of the commission; and

Whereas applicant has now submitted the final form of said trust deed and has requested that the commission make its order approving the same, and authorizing applicant to issue \$1,978,000.00 face value of bonds, said bonds to be issued in compliance with the provisions of said trust deed, which in this regard are that said amount of bonds shall be deposited with the trustees named in said deed and thereafter said trustees shall issue said bonds par for par in exchange for outstanding debentures of Southern California Edison Company; and

Whereas said request is reasonable and should be granted under the conditions hereafter set out; now, therefore,

It is hereby ordered by the Railroad Commission of the state of California that the trust deed executed by Southern California Edison Company to Harris Trust and Savings Bank and Los Angeles Trust and Savings Bank, trustees, dated July 1, 1917, a copy of which is on file herein marked Exhibit 1, is hereby approved.

It is further ordered that Southern California Edison Company is hereby authorized to issue \$1,978,000.00 face value of bonds under the terms of the trust deed just above referred to; provided, that said bonds shall be issued to the trustees named in said trust deed and thereafter may be used only for exchange par for par for Southern California Edison Company, 6 per cent five-year convertible gold debentures secured by agreement dated March 15, 1915.

The approval herein given of said trust deed is for the purpose of this proceeding only and in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

The authority herein given to issue bonds is contingent upon the payment of the fee specified in section 57 of the Public Utilities Act, as amended.

Dated at Los Angeles, California, this twenty-fifth day of July, 1917.

DECISION No. 4484.

IN THE MATTER OF THE APPLICATION OF PORT COSTA WATER COMPANY FOR AN ORDER AUTHORIZING IT TO RENEW NOTES.

Application No. 3039.

Decided July 27, 1917.

Applicant authorized to execute, jointly with several land companies, a note of the face value of \$385,000.00, secured by mortgage, for the purpose of discharging outstanding obligations.

Goodfellow, Eells, Moore & Orrick, by W. H. Orrick, for Applicant.

BY THE COMMISSION.

OPINION.

Port Costa Water Company seeks authority to join with Port Costa Development Company and Mount Diablo Development Company in the execution and delivery of a note for \$385,000.00 payable to The German Savings and Loan Society, six years after date, with interest at the rate of 6 per cent per annum, the payment of which is to be secured by a deed of trust in substantially the same form as Exhibit "A" attached to the application.

Application was filed July 17 and a hearing was conducted by Examiner Westover July 23. Port Costa Water Company was organized in 1898. It has an authorized capital stock of \$500,000.00, all of which is outstanding. It has no bonded indebtedness. On December 31, 1916, it reported notes payable \$210,436.66, including \$201,436.66, hereinafter referred to, and accounts payable \$16,122.27. For the year ending December 31, 1916, the company reports gross earnings \$79,514.93, operating expenses \$34,703.31, interest and other fixed charges \$16,791.22, leaving a surplus of \$28,020.40.

Applicant is a public utility engaged in the business of supplying water in and about Port Costa, Concord, Martinez, Crockett and other communities in Contra Costa County for domestic purposes, and also to numerous large manufacturing plants in the vicinity.

Among other properties which it uses in its business is about 2,800 acres of land belonging to Mount Diablo Development Company, forming a watershed from which water is gathered into applicant's reservoirs. This tract is valued by applicant at \$50.00 per acre, or about \$140,000.00. Applicant's own properties it roughly values at \$600,000.00. All of the property of applicant and of Mount Diablo Development Company is to be covered by the proposed deed of trust. The property of Port Costa Development Company, located in Port Costa and in Contra Costa, Alameda, Fresno and Kern counties, are valued by applicant at \$280,000.00, all but about \$30,000.00 worth of which is to be covered by the proposed deed of trust.

Of the proceeds of said loan applicant proposes to use \$335,000.00 to pay two notes for \$325,000.00 and \$10,000.00, respectively, both due July 28, 1913, being executed by applicant and said Port Costa Development Company and Mount Diablo Development Company, payable to The German Savings and Loan Society or order, secured by deed of trust on the same property.

Of the proceeds of the two notes aggregating \$335,000.00, the Mount Diablo Development Company received \$39,000.00, the Port Costa Development Company received \$94,563.34, and applicant received \$201,436.66. It is proposed that Mount Diablo Development Company shall receive the \$50,000.00 total increase in the proposed loan. The \$50,000.00 is to be used by Mount Diablo Development Company to pay its note to the Bank of California for \$26,500.00, and to pay to applicant \$23,500.00 on open account due to it.

The three parties each propose to pay their respective shares of the interest upon the portions of the loan received by each, which course has been followed by them in the past in reference to the present loans. The same interests are shown to own all of the stock of the three companies referred to. The bank is unwilling to make three separate loans to the respective parties, but requires the joint obligation of all three in one loan, as it did in the case of the present loans.

The evidence shows that all of the \$201,436.66 received by applicant from the original loan was devoted by it to the purchase of lands near Galindo, to sinking wells and building its main pumping plant and 18-inch transmission line to Martinez, a distance of some 5 to 5½ miles.

The bank has satisfied itself of the value of the property, and as the original loan was made before the Public Utilities Act became effective, it seems unnecessary under the circumstances for the commission to make an investigation as to value.

ORDER.

Port Costa Water Company having applied to the Railroad Commission for authority to issue a note for \$385,000.00, and to execute

and deliver a deed of trust covering all of its property to secure the payment thereof, and a public hearing having been held upon said application.

It is hereby ordered that Port Costa Water Company be and it is hereby authorized and empowered to join with Port Costa Development Company and Mount Diablo Development Company in the execution and delivery of note for \$385,000.00 payable to The German Savings and Loan Society or order six years after its date, with interest at the rate of 6 per cent per annum, and to execute and deliver deed of trust in substantially the same form as the form of deed of trust attached to the application and marked Exhibit "A."

This order is made upon the following conditions:

1. Nothing herein contained shall be construed as a finding of value of applicant's property for any purpose other than that of the present application.

2. The approval herein given of said deed of trust is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deed of trust as to other legal requirements to which said deed of trust may be subject.

3. The authority herein granted shall extend only to such note or deed of trust as shall have been executed within thirty (30) days from date hereof.

4. Within twenty (20) days after the execution and delivery of said note and deed of trust, applicant shall make verified report in writing to the Railroad Commission of the fact and date of execution and delivery of said note and deed of trust, and of the disposition of the proceeds arising therefrom, and shall supply the commission with copy of each of said documents as finally executed.

5. This authority to issue note shall not become effective until the fee specified in the Public Utilities Act therefor shall have been paid.

Dated at San Francisco, California, this twenty-seventh day of July 1917.

DECISION No. 4485.

IN THE MATTER OF THE APPLICATION OF VALLEY NATURAL GAS COMPANY TO HAVE RATES FOR FURNISHING NATURAL GAS FIXED.

Application No. 2620.

Decided July 27, 1917.

Upon a showing by applicant that operating expenses have increased to such an extent that it can not meet its obligations under the present schedule of rates, the following schedule established to become effective August 1, 1917: Fuel purposes, Midway District, 9 cents per 1,000 cubic feet; Kern District, including distributing companies in Taft and vicinity, 10 cents per 1,000 cubic feet; all other rates to remain the same.

The commission has found, after careful investigation into the probable life of gas wells of the Midway fields, that 7 per cent depreciation annuity is a reasonable rate to allow in connection with natural gas distributing companies such as applicant.

Joseph Haber, Jr., for Applicant.

EDGERTON, Commissioner.

OPINION.

This is an application of the Valley Natural Gas Company asking that its rates for supplying natural gas to certain of its consumers be fixed.

Applicant's property consists of a collection and transmission system for the distribution and sale of natural gas to field consumers in the Midway and Kern oil fields, and for the sale of natural gas to distributing corporations in the cities and towns of Bakersfield, Taft, Maricopa and Fellows.

The applicant states that the rates now in effect were established by its predecessor in interest, The California Natural Gas Company, in 1910, with the exception of certain rates fixed by this commission in Decisions No. 1458 and No. 1532.

It is alleged in this petition that since the purchase of the properties by the applicant in July, 1916, conditions have changed materially, resulting in a great increase in the cost to it of selling gas over that of its predecessor; that there has been a steady and accelerating decrease in the quantity and pressure of gas produced by the wells from which applicant obtains its supply, this decrease in pressure necessitating the compression of a large proportion of the gas; and that serious discrimination exists in the present form of rates under which the gas supplied to many of its consumers is not measured.

Applicant desires to substitute measured service for the present unmeasured service, in order that discrimination may be eliminated, and to have fair and just rates fixed.

At the hearing in this matter held in Bakersfield on February 2, 1917, it was stipulated that, inasmuch as the applicant had submitted insuffi-

cient evidence, the data to be obtained from a subsequent investigation to be made by the engineering department of this commission, as well as all previous formal proceedings before this commission concerning the applicant and its predecessors, should be considered in evidence.

In the past gas has been purchased from the Standard Oil Company and the Honolulu Consolidated Oil Company at pressures sufficient for the transmission requirements of the applicant as a distributing company. Recently, however, well pressures have decreased to such an extent that at present it is necessary to compress the major portion of such gas, and an agreement has been entered into with the Standard Oil Company to perform this service for one cent (1¢) per thousand cubic feet. It is estimated that this item will increase the operating expenses of the company over \$50,000.00 during the year 1917. Since May 1, 1916, the gas obtained from the Honolulu Consolidated Oil Company has been purchased on a 4-ounce basis instead of on the previous 5-pound basis. This, it is estimated, will further increase operating expenses over \$10,000.00 per year.

The applicant sells gas to its field consumers for boiler, furnace and forge purposes at 7 cents per thousand cubic feet, the quantity of gas used by each consumer being estimated, the consumer being billed accordingly.

In the past the gas purchased from the Standard Oil Company and the Honolulu Consolidated Oil Company, being unmeasured, has been paid for on a basis of 5 cents per thousand cubic feet sold, the total sales being estimated. As the gas purchased from the oil companies is at present measured and the Valley Natural Gas Company is billed on a meter basis at 5 cents per thousand cubic feet, it is necessary for the latter to meter its field consumers. This will necessitate the installation of over 75 orifice meters at an estimated cost of \$20,000.00 and a consequent increase in operating expenses to read and compute same, amounting to over \$10,000.00 annually.

The total investment of the Valley Natural Gas Company on March 1, 1917, based upon the valuation submitted by engineers of the Railroad Commission in Application No. 2172, with additions and betterments from March 1, 1916, is as follows:

TABLE NO. 1.

Investment March 1, 1916 (original cost App. 2172)	\$498,337 68
Additions and betterments (March 1, 1916, to March 1, 1917) ..	100,728 56
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Total fixed capital March 1, 1917.....	\$599,066 24
Additional meter investment.....	20,000 00
<hr/>	
Total fixed capital (after meter installation).....	\$619,066 24
Materials and supplies.....	10,373 74
Working cash capital (one-sixth of 1916 operating expenses) ..	23,098 00
<hr/>	
Total	\$652,537 98

Applicant's Exhibit No. 3 sets forth an estimate of the operating expenses for the year 1917 as follows:

TABLE No. 2.

Development expense -----	\$2,500 00
Transmission expense -----	5,200 00
Distribution expense -----	4,620 00
Commercial expense -----	2,200 00
General and miscellaneous expense -----	11,260 00
<hr/>	
Total -----	\$25,780 00
Orifice meter operation -----	10,200 00
<hr/>	
Total operating expense (not including cost of gas, taxes, etc.) -----	\$35,980 00

Inasmuch as the above estimate appears to be reasonable as compared to previous years' expenses, and when considered in the light of the applicant's general operation, it has been accepted for the purposes of this proceeding.

The commission found in its Decision No. 1458 after a thorough investigation of the probable life of the gas wells of the Midway field that 7 per cent depreciation annuity was a reasonable rate to be allowed upon these properties. I have used the same rate for the purposes of this proceeding. The fixed charges are as follows:

TABLE No. 3.

Fixed charges:	
Depreciation annuity -----	\$43,334 64
Interest (8 per cent) -----	52,203 04
<hr/>	
Total -----	\$95,537 68

The following table sets forth the gas sales during 1916 and the estimated sales for 1917. This estimate is based upon data filed by the applicant modified by the report of a personal inspection of the territory made by Mr. W. J. Hammond of the gas and electric department of the Railroad Commission and differs only slightly from an estimate made by Mr. J. F. McMahon, general manager of the Valley Natural Gas Company.

TABLE No. 4.

	1916 Actual sale 1,000 cubic feet	1917 Estimated sale 1,000 cubic feet
Bakersfield (domestic) -----	353,928	350,000
Fellows -----	8,440	10,000
Maricopa -----	14,330	15,000
Taft -----	63,835	70,000
Domestic -----	11,283	12,000
Gas engine -----	115,725	135,000
Kern -----	1,844,946	2,000,000
Midway -----	2,327,419	3,300,000
<hr/>		<hr/>
Total -----	4,739,906	5,892,000

Under the present rates the revenue from the estimated sales for 1917 would amount to \$451,265.00.

The unaccounted for gas on the applicant's system during March and April, 1917, was 25.9 per cent and 20.7 per cent of the gas purchased, respectively; Mr. McMahon estimates that by metering the field consumers' losses can be reduced to 15 per cent. On this basis the gas purchased for the year 1917 would be 6,775,800,000 cubic feet, and assuming the same proportion of compression throughout the year as at present, the cost of gas would be \$387,576.00, leaving a balance of \$63,689.00 to cover operating expenses and fixed charges.

From the above it is apparent that this company can not meet its obligations in the future if the present rates continue in force.

In considering this application it must be borne in mind that the Valley Natural Gas Company bought the properties from its predecessor with the avowed intention of gathering and conserving for sale natural gas which is now going to waste, and to extend its field of operation into new and undeveloped territory. Up to the present time the company has exerted no effort to extend its service into new territory. This may be in part due to the present market price of materials. It is clear, however, that the present rate of 7 cents per thousand cubic feet to field consumers is lower than the company can supply the gas for under the new conditions of operation.

Although the demand for gas for boiler fuel in the Midway field is on the decrease at present, gas engines being substituted for steam, there is still a demand in the Kern field which exceeds the present capacity of the company's transmission lines, and with an equitable rate for this service I believe that the company may be able to increase its sales in this territory, provided it extends its facilities and that it will thereby realize a fair return upon its investment.

Upon investigation I find the following rates of the applicant unreasonable, inasmuch as these rates are, under the present conditions, unremunerative. I also find that there is at present no reason for altering the rates for other classes of service:

TABLE NO. 5.

Field consumers (boiler fuel)	7 cents per 1,000 cubic feet
Gas supplied for distribution in Taft	7 cents per 1,000 cubic feet
Gas supplied for the Bakersfield steam plant	7 cents per 1,000 cubic feet

I recommend the following schedule of rates to be charged in the future for natural gas sold in the various districts as designated:

TABLE No. 6.

Field consumers.

Midway District (including Rio Bravo) ----- 9 cents per 1,000 cubic feet
on 4-oz. basis

Kern District (including Bakersfield steam plant) 10 cents per 1,000 cubic feet
on 4-oz. basis

Resale in Taft.

Gas supplied for distribution in Taft ----- 10 cents per 1,000 cubic feet
on 4-oz. basis

Under the rates herein established the revenue based upon the estimate of sales for 1917 would be \$526,365.00, and with these rates in effect the estimated earnings of the company for the year 1917 will be as follows:

TABLE No. 7.

Operating revenues -----	\$526,365 00
Operating expenses.	
Gas purchased -----	\$387,576 00
Other expenses -----	35,980 00
Taxes -----	31,225 00
Total operating expenses -----	454,781 00
Balance available for depreciation -----	71,584 00
Depreciation annuity -----	43,335 00
Surplus available for dividends -----	\$28,249 00
Net return on \$657,538.00 -----	4.3 per cent

Although this can hardly be considered a fair return on the investment, the company has expressed the belief that if a concerted effort is made, the sales to field consumers, especially to those in the Midway field, can be increased considerably over the amount estimated. If this increase is realized, even in part, the company will be in a position to earn a fair return upon its investment.

It should be borne in mind that the proposed rate of 9 cents to the Midway field consumers and that of 10 cents to those of the Kern district is justified only by the fact that it permits the sale by the Valley Natural Gas Company of what would otherwise be excess or wasted gas produced in conjunction with oil production and not subject to storage or conservation without a reduction in the oil production of the fields. These rates should remain in effect only until the requirements of other consumers requiring gas for a higher use make it necessary or advisable to discontinue or modify them.

I submit herewith the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceedings and the same having been submitted and being now ready for decision,

1. The Railroad Commission hereby finds that the rates of Valley Natural Gas Company for certain classes of its gas service are unjust and unreasonable in so far as they differ from the rates herein established.

2. The Railroad Commission hereby finds that the rates herein established are fair and reasonable for gas served to field consumers and for distribution in the city of Taft.

Basing its order on the foregoing findings of fact and on the findings which are contained in the opinion which precedes this order, the Railroad Commission hereby authorizes Valley Natural Gas Company to establish and file with this commission, within twenty days from date of this order, to become effective for gas sales commencing August 1, 1917, the following rates for natural gas to the special class of service designated:

Field and Wholesale Consumers.

Applicable to consumers of natural gas for boiler, furnace and forge fuel purposes:

Midway District (including Rio Bravo) -----9 cents per 1,000 cubic feet
on 4-oz. basis

Kern District (including Bakersfield steam plant) 10 cents per 1,000 cubic feet
on 4-oz. basis

Applicable to sales to distributing companies in the town of Taft and vicinity:

Gas supplied for distribution in Taft-----10 cents per 1,000 cubic feet
on 4-oz. basis

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4486.

IN THE MATTER OF THE APPLICATION OF HERMOSA BEACH WATER CORPORATION FOR PERMISSION TO ISSUE BONDS TO REIMBURSE THE COMPANY'S TREASURY FOR EQUIPMENT AND EXTENSIONS ADDED TO CAPITAL INVESTMENT.

Application No. 3018.

Decided July 27, 1917.

Applicant authorized to issue \$4,000.00 face value of its 6 per cent bonds, to be sold at not less than 95, proceeds thereof to be used to discharge notes and accounts payable amounting to \$2,674.25, the balance to reimburse treasury covering capital expenditures heretofore made.

F. D. Cornell, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon the above-entitled application to issue \$4,000.00 of 6 per cent bonds and to use the proceeds to pay notes and accounts payable and reimburse applicant's treasury for capital expenditures.

In Exhibit "A" attached to the application, applicant reports that during 1915-1916, it expended for the installation of meters and services the sum of \$2,303.05, and for extensions to its distribution system the sum of \$6,245.27—total \$8,548.32. The commission's engineers have checked the expenditures and found them to be reasonable.

On December 31, 1916, Hermosa Beach Water Corporation reported to this commission assets and liabilities as follows:

<i>Assets.</i>	
Fixed capital	\$117,786 07
Cash	1,585 98
Notes receivable	20 00
Accounts receivable.....	4,992 65
Materials and supplies.....	1,071 53
Sinking funds	10,318 99
Prepaid taxes	100 00
Unamortized discount on bonds	2,423 18
Construction work in progress.....	14 18
Other suspense	1,104 32
Total assets	\$139,416 90
<i>Liabilities.</i>	
Capital stock outstanding.....	45,006 00
Bonds outstanding	73,000 00
Notes payable	1,705 00
Accounts payable	5,258 27
Interest accrued	1,825 00
Reserves from income on surplus.....	498 50
Capital surplus	6,544 85
Corporate surplus unappropriated	5,579 28
Total liabilities	\$139,416 90

For the years ending December 31, 1915 and 1916, applicant has reported revenues and expenses to this commission as follows:

Item	1915	1916
Operating revenues	\$21,130 10	\$18,561 64
Operating expenses	9,882 24	11,988 18
Net operating revenues	\$11,247 86	\$6,576 46
Deductions—		
Interest on funded debt	\$3,592 50	\$3,641 37
Other interest	258 12	255 16
Uncollectible bills	250 00	
Amortization of discount		605 80
Total deductions	\$4,100 62	\$4,502 33
Surplus from operation	\$7,147 24	\$2,074 13

For the issue of stock and bonds now outstanding, reference is here made to Decision No. 1866, dated October 13, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 577); to Decision No. 2512, dated June 22, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 226); and to Decision No. 3127, dated February 25, 1916. By Decision No. 3127, dated February 25, 1916, applicant was authorized to issue \$10,000.00 of stock at par for sinking fund purposes. All of this stock has been issued and \$2,000.00 of the proceeds used to redeem bonds at 99½. The remaining \$8,000.00 is on deposit with the trustee under applicant's mortgage for the purpose of redeeming additional bonds.

Applicant asks authority to sell the \$4,000.00 of bonds at not less than 80 per cent of their face value plus accrued interest, or pledge them to secure the payment of current indebtedness. Bearing in mind applicant's general financial condition and the fact that it had to pay 99½ for bonds which it called for redemption, we are of the opinion that it should receive for the bonds which it now proposes to issue not less than 95 per cent of their face value plus accrued interest. Should applicant be unable to sell the bonds at the price hereby fixed or at such other price as may hereafter be determined, the commission will give further consideration to the request of applicant to pledge the bonds to secure the payment of current indebtedness.

The proceeds obtained from the sale of the bonds, applicant desires to use to pay the following notes and accounts payable representing capital expenditures:

Neptune Meter Company	\$1,177 95
H. R. Boynton Company (note)	900 00
H. R. Boynton Company (account)	141 30
Krogh Manufacturing Company (note)	455 00
	<hr/>
	\$2,674 25

The remainder of the proceeds applicant desires to use to reimburse its treasury for capital expenditures.

ORDER.

Hermosa Beach Water Corporation having applied to the commission for authority to issue \$4,000.00 face value of its 6 per cent bonds, and a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Hermosa Beach Water Corporation be and it is hereby granted authority to issue \$4,000.00 face value of its 6 per cent bonds.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The bonds shall be sold for not less than 95 per cent of their face value plus accrued interest, in cash.

2. The proceeds obtained from the sale of the bonds shall be used for the following purposes:

(a) To pay indebtedness as follows:

Neptune Meter Company-----	\$1,177 95
H. R. Boynton Company (note)-----	900 00
H. R. Boynton Company (account)-----	141 30
Krogh Manufacturing Company (note)-----	455 00
	<hr/>
	\$2,674 25

(b) The remainder of the proceeds may be used by applicant to reimburse its treasury for capital expenditures.

3. On or before the twenty-fifth day of each month, Hermosa Beach Water Corporation shall file with this commission reports in accordance with the commission's General Order No. 24.

4. The authority hereby granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act, as amended.

5. The authority hereby granted shall apply only to such bonds as shall have been issued on or before November 1, 1917.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4487.

IN THE MATTER OF THE APPLICATION OF ALBERT S. VOTAW FOR
A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2989.*Decided July 27, 1917.*

Applicant granted a certificate authorizing the exercise of rights under a franchise obtained from the county of Fresno permitting the construction and operation of a water distributing system in the unincorporated town of Navelencia and adjacent territory.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

This commission having, on June 19, 1917, made an order in this proceeding, under section 50 (c) of the Public Utilities Act declaring that it would hereafter, upon such terms and conditions as it deemed reasonable, issue a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges to operate a public utility water system to be granted in a franchise from the board of supervisors of Fresno County, covering the unincorporated town of Navelencia and the inhabitants of the unincorporated territory adjacent thereto, which franchise had been applied for but not yet secured, and applicant having now filed with the Railroad Commission Ordinance No. 171 of the board of supervisors of Fresno County adopted on July 3, 1917, being the franchise above mentioned,

The Railroad Commission hereby declares that public convenience and necessity require and will require the exercise by Albert S. Votaw of the rights and privileges granted to him in Ordinance No. 171 of the board of supervisors of Fresno County, upon the following condition, to wit:

This order shall not become effective until applicant shall have filed with the Railroad Commission a stipulation stating that he, his successors and assigns, shall not claim before the Railroad Commission or any other public body, for rate-fixing purposes, or any other purposes, a value for said franchise in addition to the actual cost thereof, which cost shall be stated in the stipulation, and shall have received from the Railroad Commission a supplemental order stating that the said stipulation has been filed and approved.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4488.

IN THE MATTER OF THE APPLICATION OF THE SIERRA AND PARK COMPANY AND THE BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES FOR AN ORDER AUTHORIZING THE SALE OF PUBLIC UTILITY PROPERTY.

Application No. 3051.

Decided July 27, 1917.

BY THE COMMISSION.

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ORDER.

Sierra Park Company having asked authority to transfer to the Board of Public Service Commissioners of the city of Los Angeles, for the sum of \$2,500.00, the public utility water system supplying approximately 123 persons in that portion of the city of Los Angeles lying to the east of Huntington drive in the Navarro Tract, and Huntington Boulevard Tract in the city of Los Angeles, the conveyance to be made in accordance with the form of deed attached to the application and marked "Exhibit B." describing the property to be transferred as follows:

All water pipes, service connections, fittings, meters, appliances, appurtenances and extensions, constituting and pertaining to the water distributing system owned by the Sierra Park Company, and used and operated by said Sierra Park Company for supplying water in the territory within the city of Los Angeles lying to the east of Huntington drive, and approximately one-fourth ($\frac{1}{4}$) of a mile north of Bairdstown, in those certain tracts known as the Navarro Tract and the Huntington Boulevard Tract in said city.

RIGHTS OF WAY.

All franchises and rights of way owned or held by or for said Sierra Park Company, and used or necessary in connection with the construction or operation of said works, or any part thereof, or any extension of said works.

MAPS AND RECORDS, ETC.

All maps and records pertaining to said water system, and relating to pipes, services, consumers, property, rates, etc.

And the Board of Public Service Commissioners of the city of Los Angeles having joined in the application, and the commission being of the opinion that this is not a case in which a public hearing is necessary,

It is hereby ordered that said application be and the same hereby is granted.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4489.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY FOR AN ORDER AUTHORIZING THE SALE OF REAL PROPERTY.

Application No. 3052.

Decided July 27, 1917.

BY THE COMMISSION.

ORDER.

East Bay Water Company having in this application set forth that it is desired to straighten and make safe the county road now running from Summit Reservoir, the property of applicant, in Contra Costa County, California, down to Wildeat Canyon in said county, and that in order that this be done it is necessary that the company transfer to Oscar I. Runnels certain parcels of the company's operative lands designated as parcels B, D, F, I, K, M, P, R, S, U and W, hereinafter described; Oscar I. Runnels, in exchange for said property, to transfer to applicant certain other parcels of land designated as parcels A, C, E, G, H, J, L, N, O, Q, T, V and X hereinafter described.

The map referred to in the following descriptions is a map entitled "Spruce Street Extension, Contra Costa County, Cal.," a copy of which is attached to the application in this proceeding and marked "Exhibits A and B."

PARCEL B.

Beginning at Station 2 on the center line of an old road commonly known as Wagner Road, as shown on the map hereinafter referred to; thence leaving said center line and running South $64^{\circ} 50'$ East 47.12 feet; thence along the arc of a curve to the left with a radius of 150 feet and tangent to the last course, 170.17 feet; thence North $50^{\circ} 10'$ East 55.61 feet; thence along the arc of a curve to the right with a radius of 576.38 feet and tangent to the last course 46.18 feet to the aforementioned center line of Wagner Road; thence along said line South $40^{\circ} 10'$ West 189.36 feet; thence South $85^{\circ} 10'$ West 71 feet; thence North $45^{\circ} 50'$ West 124 feet to the point of beginning.

Being portion lettered "B", as shown on the map entitled, "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL D.

Beginning at Station 8 of the center line of an old road known as Wagner Road, as shown on the map hereinafter referred to; thence South $88^{\circ} 10'$ West 176 feet; thence North $59^{\circ} 50'$ West 57.05 feet; thence South Easterly along the arc of a curve to the right with a radius of 576.38 feet, 227.89 feet to the point of beginning.

Being portion lettered "D", as shown on the map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL F.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $26^{\circ} 50'$ West, 70.59 feet from Station 10, as shown on the map hereinafter referred to; thence South $26^{\circ} 50'$ East 70.59 feet to said Station 10; thence South $62^{\circ} 50'$ East 100 feet to Station 11, as per said map; thence North $85^{\circ} 30'$ East 63.80 feet; thence North Westerly along the arc of a curve to the right with a radius of 190 feet, 224.39 feet to the point of beginning.

Being the portion lettered "F", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL I.

Beginning at Station 14 on the center line of an old road known as Wagner Road, as shown on map hereinafter referred to; thence from said point South $24^{\circ} 34\frac{1}{2}'$ East 112.84 feet; thence along the arc of a curve to the left with a radius of 280 feet and tangent to the last course 57.30 feet to a point on the center line of said Wagner Road; thence along said center line North $72^{\circ} 34\frac{1}{2}'$ West 58.33 feet to Station 15 of said center line; thence North $8^{\circ} 34\frac{1}{2}'$ West 136 feet to the point of beginning.

Being the portion lettered "I", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL K.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $37^{\circ} 34\frac{1}{2}'$ West 29.54 feet from Station 17, as shown on the map hereinafter referred to; thence along said center line South $37^{\circ} 34\frac{1}{2}'$ East 29.54 feet to said Station 17; thence North $89^{\circ} 04'$ East 95.09 feet; thence North Westerly along the arc of a curve to the right with a radius of 280 feet, 116.01 feet to the point of beginning.

Being the portion lettered "K", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL M.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $12^{\circ} 25\frac{1}{2}'$ East 59.94 feet from Station 20, as shown on the map hereinafter referred to; thence along said center line South $12^{\circ} 25\frac{1}{2}'$ West 59.94 feet to said Station 20; thence South $19^{\circ} 34\frac{1}{2}'$ East 75.63 feet; thence North $0^{\circ} 24'$ East 64.50 feet; thence along the arc of a curve to the left with a radius of 165.84 feet and tangent to the last course 59.22 feet to the point of beginning.

Being portion lettered "M", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL P.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $23^{\circ} 34\frac{1}{2}'$ West 50.36 feet from Station 23, as shown on the map hereinafter referred to; thence along said center line South $23^{\circ} 34\frac{1}{2}'$ East 50.36 feet to said Station 23; thence South $75^{\circ} 34\frac{1}{2}'$ East 84 feet to Station 24 of said center

line; thence North $58^{\circ} 25\frac{1}{2}'$ East 94.93 feet; thence South Westerly and Westerly along the arc of a curve to the right with a radius of 152.14 feet, 196.56 feet to the point of beginning.

Being the portion lettered "P", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL R.

Beginning at Station 27 of the center line of an old road known as Wagner Road, as shown on the map hereinafter referred to; thence along said center line North $50^{\circ} 34\frac{1}{2}'$ West 103.98 feet; thence South Easterly along the arc of a curve to the right with a radius of 200.87 feet, 105.18 feet to the point of beginning.

Being the portion lettered "R", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL S.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $35^{\circ} 34\frac{1}{2}'$ West 193.72 feet from Station 28, as shown on the map hereinafter referred to; thence along said center line South $35^{\circ} 34\frac{1}{2}'$ East 193.72 feet to said Station 28; thence North $89^{\circ} 25\frac{1}{2}'$ East 120 feet to Station 29 of said center line; thence North $47^{\circ} 25\frac{1}{2}'$ East 226 feet to Station 30 of said center line; thence South $54^{\circ} 25\frac{1}{2}'$ West 87.61 feet; thence along the arc of a curve to the right with a radius of 235 feet and tangent to the last course, 369.14 feet to the point of beginning.

Being the portion lettered "S", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL U.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $15^{\circ} 57'$ West 88.17 feet from Station 33 of said line, as shown on the map hereinafter referred to; thence along said center line South $15^{\circ} 57'$ East 88.17 feet to said Station 33; thence South $33^{\circ} 57'$ East 67.96 feet; thence North $22^{\circ} 06\frac{1}{2}'$ West 121.52 feet; thence along the arc of a curve to the left with a radius of 120 feet and tangent to the last course, 33.09 feet to the point of beginning.

Being the portion lettered "U", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL W.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $30^{\circ} 07'$ East 125.93 feet from Station 35 of said center line, as shown on the map hereinafter referred to; thence along said center line North $30^{\circ} 07'$ West 125.93 feet to said Station 35; thence North $10^{\circ} 27'$ West 113.46 feet; thence South $22^{\circ} 06\frac{1}{2}'$ East 193.26 feet; thence along the arc of a curve to the right with a radius of 168.58 feet and tangent to the last course 42.97 feet to the point of beginning.

Being the portion lettered "W", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL A.

Commencing at Station S. A. 11 of the official exterior boundary line survey of the Rancho San Antonio, said point being on the boundary line between Alameda and Contra Costa counties; thence North $55^{\circ} 03'$ West along said boundary line 1998.63 feet to point of intersection of center line of old road known as Wagner Road, which point is called Station 0, as per map hereinafter referred to, said point being the point of beginning; thence from said point of beginning North $71^{\circ} 10'$ East 110 feet to station 1, as per said map; thence South $64^{\circ} 50'$ East 117.16 feet; thence westerly along the arc of a curve to the left with a radius of 162.87 feet and tangent to the last course 175.27 feet to the aforementioned boundary line between Alameda and Contra Costa Counties; thence north $55^{\circ} 03'$ West along said line 53.74 feet to the point of beginning.

Being portion lettered "A", as shown on the map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL C.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $40^{\circ} 10'$ West 10.64 feet from Station 5, as shown on the map hereinafter referred to; thence North $40^{\circ} 10'$ East 10.64 feet to said Station 5; thence North $50^{\circ} 10'$ East 232 feet to Station 6; thence South $59^{\circ} 50'$ East 106.95 feet; thence westerly along the arc of a curve to the left with a radius of 576.38 feet, 299.34 feet to the point of beginning.

Being the portion lettered "C", as shown on the map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL E.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $72^{\circ} 50'$ West, 67.41 feet from Station 9 as shown on the map hereinafter referred to; thence South $72^{\circ} 50'$ East 67.41 feet to said Station 9; thence South $26^{\circ} 50'$ East 67.41 feet; thence North Westerly along the arc of a curve to the left with a radius of 158.81 feet, 127.50 feet to the point of beginning.

Being the portion lettered "E" as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL G.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $85^{\circ} 30'$ West 106.2 feet from Station 12, as shown on the map hereinafter referred to; thence North $85^{\circ} 30'$ East 106.2 feet to said Station 12; thence South $40^{\circ} 34\frac{1}{2}'$ East 106.2 feet; thence North Westerly along the arc of a curve to the left with a radius of 208.77 feet, 196.49 feet to the point of beginning.

Being the portion lettered "G", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL H.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $40^{\circ} 34\frac{1}{2}'$ West 155.80 feet from Station 13, as shown on the map hereinafter referred to; thence South $40^{\circ} 34\frac{1}{2}'$ East 155.80 feet to said station 13; thence South $24^{\circ} 34\frac{1}{2}'$ East 155.80 feet; thence North Westerly along the arc of a curve to the left with a radius of 1108.57 feet, 309.58 feet to the point of beginning.

Being the portion lettered "H", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL J.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $72^{\circ} 34\frac{1}{2}'$ West 63.67 feet from Station 16, as shown on the map hereinafter referred to; thence along said center line South $72^{\circ} 34\frac{1}{2}'$ East 63.67 feet to said Station 16; thence South $37^{\circ} 34\frac{1}{2}'$ East 92.46 feet; thence North Westerly along the arc of a curve to the right with a radius of 280 feet 150.98 feet to the point of beginning.

Being the portion lettered "J", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL L.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $89^{\circ} 04'$ West 119.76 feet from Station 18, as shown on the map hereinafter referred to; thence along said center line North $89^{\circ} 04'$ East 119.76 feet to said Station 18; thence South $50^{\circ} 25\frac{1}{2}'$ East 64.47 feet; thence South $12^{\circ} 25\frac{1}{2}'$ West 64.06 feet; thence North Westerly along the arc of a curve to the left with a radius of 165.84 feet, 205.14 feet to the point of beginning.

Being the portion lettered "L", as per map entitled, "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL N.

Beginning at Station 22 on the center line of an old road known as Wagner Road, as shown on the map hereinafter referred to; thence along said center line North $5^{\circ} 25\frac{1}{2}'$ East 228 feet; thence North $19^{\circ} 34\frac{1}{2}'$ West 58.37 feet; thence South $0^{\circ} 24'$ West 281.98 feet to the point of beginning.

Being the portion lettered "N", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL O.

Beginning at Station 22 on the center line of an old road known as Wagner Road, as shown on the map hereinafter referred to; thence along said center line South $23^{\circ} 34\frac{1}{2}'$ East 123.64 feet; thence westerly and northerly along the arc of a curve to the right with a radius of 152.14 feet, 127.32 feet to the point of beginning.

Being the portion lettered "O", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL Q.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $58^{\circ} 25\frac{1}{2}'$ West 76.92 feet from Station 25, as shown on the map hereinafter referred to; thence along said center line North $58^{\circ} 25\frac{1}{2}'$ East 76.92 feet to said Station 25; thence South $84^{\circ} 34\frac{1}{2}'$ East 100 feet to Station 26 of said center line; thence South $50^{\circ} 34\frac{1}{2}'$ East 30.02 feet; thence westerly and southwesterly along the arc of a curve to the left with a radius of 200.87 feet, 196.33 feet to the point of beginning.

Being the portion lettered "Q", as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL T.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $54^{\circ} 25\frac{1}{2}'$ West 55.55 feet from Station 31 of said center line, as shown on the map hereinafter referred to; thence along said center line North $54^{\circ} 25\frac{1}{2}'$ East 55.55 feet to said Station 31; thence South $81^{\circ} 34\frac{1}{2}'$ East 109 feet to Station 32 of said center line; thence South $15^{\circ} 57'$ East 41.83 feet; thence Westerly and Southwesterly along the arc of a curve to the left with a radius of 120 feet, 183.61 feet to the point of beginning.

Being portion lettered "T" as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL V.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon North $33^{\circ} 57'$ West 32.04 feet from Station 34 of said center line, as shown on the map hereinafter referred to; thence along said center line South $33^{\circ} 57'$ East 32.04 feet to said Station 34; thence South $10^{\circ} 27'$ East 32.54 feet; thence North $22^{\circ} 06\frac{1}{2}'$ West 63.22 feet to the point of beginning.

Being that portion lettered "V" as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

PARCEL X.

Beginning at a point on the center line of an old road known as Wagner Road, distant thereon South $30^{\circ} 07'$ East 125.93 feet from Station 35 of said center line, as shown on the map hereinafter referred to; thence along said center line South $30^{\circ} 07'$ East 29.07 feet; thence South $9^{\circ} 32\frac{1}{2}'$ West 16.54 feet to the dividing line between the Brissac and Curran Branches; thence along said dividing line South $44^{\circ} 39'$ West 19.60 feet; thence Northerly along the arc of a curve to the left with a radius of 168.58 feet, 55.79 feet to the point of beginning.

Being the portion lettered "X" as per map entitled "Map of Spruce Street Extension, Contra Costa County, Cal."

And Oscar I. Runnels having joined in the application, and the commission being of the opinion that a public hearing is not necessary,

It is hereby ordered that this application be and the same is hereby granted.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4490.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION ESTABLISHING THE RATES TO BE CHARGED FOR WATER DELIVERED FOR DOMESTIC PURPOSES TO THE CITIES AND TOWNS IN PLACER COUNTY AND THEIR INHABITANTS AND TO THE SOUTHERN PACIFIC COMPANY.

Application No. 1831.

Decided July 27, 1917.

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1. A rate of 16 cents per miner's inch per twenty-four hours or 1 cent per 1,000 gallons is a reasonable compensation to be paid applicant for water delivered to distributing systems in Placer County, such compensation to be for water delivered to reservoir of distributor and not at the intake of supply ditch.
 2. The reproduction cost new of service connections made at the cost of consumers should be eliminated from the base of return; however, appropriate allowances should be made in connection therewith for depreciation and cost of maintenance and repairs. Depreciation annuity computed on 6 per cent sinking fund basis.
 3. Cost of maintenance and operation per live service ranging from \$22.50 to \$29.70 is held to be abnormally excessive when compared with average costs of \$10.74 and \$12.20, the average of utilities of a like nature operating in the state.
 4. A utility can not establish a rule compelling a consumer desiring to have a meter installed to deposit the sum of \$10.00 covering the cost of such installation, as the commission has heretofore established a general rule that all service connections and meters shall be installed at the expense of the utility.
 5. An increased schedule of rates established for various classes of service, provided that such schedules shall not become effective until applicant shall deliver to all domestic consumers pure, clear fresh water.

Chas. P. Cutten, for Pacific Gas and Electric Company.

A. C. Lowell and Fred P. Tuttle, Jr., for city of Auburn.

J. B. Gibson, for city of Rocklin.

A. E. Clark, for town of Lincoln.

Lee Gray, for certain citizens of Colfax.

Elmer Westlake, for Southern Pacific Company.

THELEN, *Commissioner.*

OPINION.

In its amended petition herein, Pacific Gas and Electric Company, hereinafter called the Pacific company, asks that the Railroad Commission establish the rates to be charged by it for water sold for domestic purposes in Placer County, as follows:

1. To the incorporated cities or towns of Auburn, Rocklin and Colfax, and their inhabitants.

2. To the inhabitants of the unincorporated towns of Newcastle and Loomis.

3. At wholesale to the town of Lincoln, which distributes its water through its own municipal water system, and to Roseville Water Company, a privately-owned utility, which sells the water at retail to the city of Roseville and its inhabitants.

4. To Southern Pacific Company at various points along its line of railway in Placer County.

Public hearings in this proceeding were held in Auburn on May 25, 1916; in San Francisco on February 19, 1917; in Auburn on March 20, 1917; and in San Francisco on April 4, 1917. Briefs were filed herein, the last brief having been filed by the Pacific company on July 20, 1917, and this proceeding is now ready for decision.

I shall consider the subject matter of this opinion under the following heads:

1. Water system of Pacific company.
2. Existing rates.
3. Value of property.
4. Depreciation annuity.
5. Operating expenses.
6. Necessary gross revenue.
7. Rates herein established.
8. Service.
9. Effective date of new rates.

1. *Water System of Pacific Company.*

The Pacific company and its predecessors have for many years been engaged in the business of selling water for domestic and irrigation purposes in the county of Placer. Practically all the water which is sold for these purposes in Placer County is supplied, either directly or through an intermediary, by the Pacific company. Water coming from the Pacific company's Lake Spaulding reservoir down the Bear River is mixed at what is known as the Carburetor with water from the Pacific company's Boardman canal and various canals tributary thereto, for use in Placer County for both domestic and irrigating purposes. The Boardman canal and its tributaries transport water for delivery in the cities or towns of Colfax, Auburn, Newcastle, Loomis, Rocklin, Lincoln and Roseville.

Colfax. The nucleus of the water distributing system in Colfax was purchased by the Pacific company from the Southern Pacific Company on February 11, 1910, for the sum of \$1,800.00. Extensive alterations and improvements have been made by the Pacific company. The water is taken out of the Boardman canal at a point about one mile above the reservoir and is pumped through a five-inch pipe line which has a maximum capacity of 16,000 gallons per hour. The capacity of the

reservoir is 150,000 gallons. A wooden tank having a capacity of 50,000 gallons, located at a higher elevation, provides greater pressure in the summer time. The distributing system consists of approximately three miles of pipe and 160 services.

Auburn. The water delivered in Auburn is taken from the Boardman canal at a point north of the city, is conducted in an open ditch to the Evenden settler and thence through pipe line, open ditch and inverted siphon to the Auburn reservoir, from which reservoir it is distributed to the various sections of the city of Auburn. A maximum of 2,500,000 gallons daily is delivered. The Auburn distributing system was formerly a part of the property of the South Yuba Water Company and was acquired by the Pacific company in 1905. The Auburn water system consists of approximately 9 miles of water pipes of various sizes and 562 services.

Newcastle. The water sold in the unincorporated town of Newcastle is diverted from the Boardman canal and transported to the McCreery reservoir the water is conveyed by the Newcastle distributing system. ditch to a settling reservoir northeast of Newcastle, from which reservoir the water is conveyed by the Newcastle distributing system. The Newcastle reservoir has a storage capacity of 180,000 gallons. The Newcastle distributing system consists of approximately 9,000 feet of water pipes of various sizes and 134 services.

Loomis. The unincorporated town of Loomis is supplied with water from what is known as the Loomis-Rocklin pipe line, which pipe line receives its water from the Loomis reservoir. This reservoir is a regulating reservoir located at the end of the Red Ravine canal, which canal is fed from the Boardman canal. The Loomis reservoir has a storage capacity of 600,000 gallons. The Loomis-Rocklin pipe line has a length of approximately three and one-half miles and supplies water for irrigation as well as for domestic use. In Loomis there are no distributing mains, service being secured from taps made directly to the Loomis-Rocklin pipe line. There are approximately 50 services in Loomis.

Rocklin. The water distributed in the incorporated city of Rocklin is supplied by the Loomis-Rocklin pipe line for distribution in approximately three miles of distributing system in Rocklin. There are 259 service connections in Rocklin.

Roseville. At Roseville water is supplied from the end of the Boardman canal to the Roseville Water Company and the Southern Pacific Company. The Roseville Water Company is a public utility which sells water to the city of Roseville and to the inhabitants thereof.

Lincoln. The city of Lincoln owns and operates a municipal water system. The water distributed in this system is purchased by the city of Lincoln from the Pacific company and is delivered through the

Pacific company's Caperton canal and Caperton reservoir at a point approximately at the three settling reservoirs owned by the city of Lincoln.

The water delivered in the city of Auburn is treated in a chlorination plant recently installed by the Pacific company under direction of the State Board of Health. The testimony shows that the Pacific company intends shortly to construct chlorination plants to treat the water delivered in Colfax, Newcastle and Rocklin.

2. Existing Rates.

The Pacific company has filed with the Railroad Commission a schedule of its water rates in Placer County, applicable to the entire county served by the Pacific company except Colfax and suburbs, as shown in Table I.

TABLE I.

Water Rates of Pacific Gas and Electric Company in Placer County, as Filed With the Railroad Commission, Applicable to Pacific Gas and Electric Company's Placer District.

Rates.

FLAT RATES.

Residence	\$1 00 to \$8 00 per month
Commercial	1 00 to 20 00 per month
Schools	2 00 to 5 00 per month
Irrigation, per season, May 1 to September 30.....	\$45 00 per miner's inch

FOR MUNICIPAL USE.

Auburn for 67 fire plugs.....	\$67 00 per month
Rocklin for 37 fire plugs.....	30 00 per month

FOR OTHER CORPORATION USE.

Lincoln {	per 24 hours' use.....	16 cents per miner's inch
Roseville {		

The Pacific company has filed with the Railroad Commission water rates applicable in the city of Colfax and suburbs, as shown in Table II.

TABLE II.

Water Rates of Pacific Gas and Electric Company in Placer County, as filed With the Railroad Commission Applicable to Pacific Gas and Electric Company's Drum District in the City of Colfax and Suburbs.

City of Colfax:

FLAT RATES.

Residence	\$2 00 per month
Residence (no housekeeping or patent toilets)	1 00 per month
Stores	\$2 00 to 5 00 per month
Laundries	4 00 per month
Hotel (large)	6 00 per month
Hotel (other)	3 00 per month
Livery stable	9 00 per month
Livery stable (2 combined by 1 owner) (1 at)	6 00 per month
(1 at)	3 00 per month
Street sprinkling, per season, 5 months.....	50 00 per month
Fire plugs, each	1 00 per month

FLAT RATES.

Suburban:

Residence: where patrons come to our canal with no extra expense to company for service-----	\$1 00 per month
Residence, as above, but where considerable water is used for barn, garden, etc.-----	\$1 00 to 2 00 per month
Sanitarium (Alta—not now operating)-----	3 00 per month
Sanitarium (Tade Bros., near Colfax)-----	4 50 per month
Irrigation rate, per season of 5 months-----	45 00 per miner's inch
Train watering rate, narrow gauge, based on estimated consumption of $\frac{1}{2}$ miner's inch-----	6 75 per month
Water to be used by construction companies for compressors, steam shovels, and dirt trains, using not to exceed $\frac{1}{2}$ miner's inch per day for each unit, i. e., compressor, or shovel, etc.-----	4 00 per month
Power rate per day of 24 hours-----	10 per miner's inch
Blacksmith shop-----	2 50 per month
Stockyard-----	3 00 per month

The Pacific company has also filed, as a deviation from the foregoing rates, a rate of \$69.00 per month, flat rate, for service to the Southern Pacific Company at Auburn and a rate of \$42.00 per month, flat rate, for service to the Southern Pacific Company at Rocklin, in each instance for general railway purposes.

The rates for water service in Placer County, as thus filed by the Pacific company, do not accurately set forth the rates actually being charged. For instance, the residence rates which are being charged in Auburn, Loomis, Newcastle and Rocklin and suburban territory are stated to be flat rates from "\$1.00 to \$8.00 per month." As a fact, the rates which are being charged for residence service in these communities vary greatly between a minimum of \$1.00 and a maximum of \$8.00 per month and are computed by reference to the number of rooms in the residence, the area of garden irrigated and number of animals owned, and on the basis of many other items which are usually found in flat-rate schedules. In connection with the charges for commercial use, many items not set forth in the schedules on file with the Railroad Commission are considered by the Pacific company in estimating each consumer's charge. The Pacific company also charges certain rates to the Southern Pacific Company for water delivered at points other than Auburn and Rocklin, which rates are special rates and do not appear in the schedules filed by the Pacific company with the Railroad Commission.

The testimony shows that in certain cases deviations from the more or less established rates of the Pacific company have been allowed by reason of interior service and that in many cases the charge to the same consumer has been changed, from time to time, and that no consistent schedule of charges in the various communities affected has been adhered to by the Pacific company.

The service of the Pacific company to the inhabitants of the communities herein under consideration has heretofore been entirely at flat

rates. While meters have been installed in a few instances, such as in the case of the Southern Pacific Company, such installations have been for the purpose of securing data as to the amount of water used and not for the purpose of making charges therefor.

3. *Value of Property.*

The Pacific company presented no testimony herein with reference to the fair value of its property employed in the collection and transmission of the water which is sold in Placer County. In lieu of such testimony, the Pacific company offered to accept a compensation of 16 cents per miner's inch for 24 hours as being a fair compensation for all items of expense in connection with the collection and transmission of this water. This rate is the rate at which the Pacific company sells water at wholesale to the city of Lincoln and to Roseville Water Company.

The city of Auburn urges that if this rate is accepted, it should apply to the water as delivered by the Pacific company in the Auburn reservoir and not at the point on the Boardman canal at which the Auburn canal receives its water. It should be observed that Lincoln and Roseville, which are used by the Pacific company as the basis for its comparison, are the points of delivery on the Pacific company's system farthest removed from the source of supply. After careful consideration, I have concluded that the rate of 16 cents per miner's inch per 24 hours' use, being equivalent to 1 cent per 1,000 gallons, would be a reasonable compensation to be paid to the Pacific company for water delivered to the various distributing systems in Placer County. As delivery to Lincoln and Roseville are made practically at the reservoirs of the town of Lincoln and Roseville Water Company, this compensation should apply to delivery at the reservoirs of the other communities as well. It follows that this compensation will apply to water delivered by the Pacific company at the Auburn reservoir and not at the intake of the Auburn supply ditch at the bank of the Boardman canal. This conclusion is in accordance with the advice of this commission's hydraulic department to the effect that this compensation is a just and reasonable compensation for water delivered "to any distributing system" in Placer County.

The Pacific company presented, in its Exhibit No. 9, a detailed inventory and appraisal of its water distributing systems in Placer County as of November 1, 1916. The appraisal shows the reproduction cost new of these systems as estimated by the Pacific company. Subsequent testimony shows that additional allowances should be made for items not included in this inventory, particularly chlorination plants in

Colfax, Newcastle and Rocklin; certain meters; and enlarged distributing pipes to be laid and service connections to be installed in Auburn.

Table III is a summary of the inventory and appraisal submitted by the Pacific company, together with said additions.

TABLE III.

Reproduction cost new of water distributing systems of Pacific Gas and Electric Company in Placer County as estimated by Pacific Gas and Electric Company.

Item	Auburn, estimated cost new	Rocklin, estimated cost new	Loomis, estimated cost new	Newcastle, estimated cost new	Colfax, estimated cost new	Total
Supply ditch or pipe.....	\$938 81	\$19,696 99	\$5,883 51	\$236 82	\$1,908 73	\$28,664 89
Settling basin or reservoir.....	796 15				2,755 07	3,553 22
Supply ditch-settler to reservoir.....	8,017 10				4,754 45	12,771 55
Right of way for ditch.....	612 06					612 06
Reservoir.....	5,273 55	391 05	116 81	406 02	2,331 20	8,537 63
Fence, shops, etc., at reser- voir.....	114 58	88 53	26 44		173 39	402 94
Water registers.....	144 08	81 48	25 24	113 08		367 78
Chlorination plant.....	891 17					891 17
Distribution system.....	40,219 49	16,606 80		7,679 22	8,192 26	72,817 77
Services.....	5,592 30	2,242 19	497 28	1,514 28	1,422 75	11,268 80
Fire hydrants.....						
Blacksmith and machine shop.....	106 64	39 17	11 48	25 51		184 76
Storeroom and workshop.....	65 73	23 70	6 98	15 42	149 59	261 37
Pipe storage platform.....	126 39	45 57	13 33	29 66		214 95
Furniture and fixtures.....	457 49	164 95	48 24	107 37	279 75	1,057 80
Tools and appliances.....	335 03	120 79	35 33	78 63	306 66	875 44
Automobiles.....	923 58	332 99	97 38	216 76	336 33	1,907 09
Horses, wagons, etc.....	130 18	46 94	13 93	30 55	106 87	330 47
Totals.....	\$64,779 26	\$39,974 15	\$6,775 87	\$10,452 31	\$22,738 10	\$144,719 69
Material and supplies.....	1,468 13		154 80	344 56	600 00	3,066 82
Working cash capital.....	2,200 00		300 00	550 00	650 00	4,600 00
Real estate.....	1,633 00	1,700 93	506 07	150 00	425 00	4,417 00
Totals.....	\$70,080 39	\$41,675 08	\$7,738 74	\$11,496 87	\$24,413 10	\$156,883 51
Additions:						
Colfax head box—error in computation.....					379 44	379 44
Chlorination plants.....		450 00		450 00	450 00	1,350 00
Meters.....	380 00	37 00	74 00	93 00		583 00
Distribution system (au- thorized).....	3,531 77					3,531 77
Grand totals.....	\$74,001 16	\$12,162 08	\$7,812 74	\$12,039 87	\$25,242 54	\$162,667 72

Mr. H. F. Clark, one of the Railroad Commission's assistant hydraulic engineers, presented a report herein, which was introduced as Railroad Commission's Exhibit No. 1. In this report, Mr. Clark makes certain deductions from the estimated reproduction cost new of the Pacific company's distributing systems in Auburn, Newcastle and Colfax. These deductions are principally due to the lower unit prices for labor. Mr. Clark's revised deductions are as follows:

Auburn distributing system.....	\$4,788 00
Newcastle distributing system.....	894 00
Colfax distributing system.....	1,353 00

Mr. Clark also deducted the estimated cost to reproduce new all service connections which were installed at the expense of the consumers. Subsequent to December 1, 1915, the effective date of the Railroad Commission's order in Case No. 683 (Vol. 8, Opinions and Orders of the Railroad Commission of California, p. 372), in which case the Railroad Commission established the rule that it is the duty of a water utility to install at its own expense service connections of normal sizes to the property line or curb line of property abutting upon the street or highway in which the water mains are laid, the Pacific company has installed all new service connections at its own expense and has maintained all service connections. Prior to December 1, 1915, the consumers in Placer County paid for the service connections to their property lines and also maintained the same.

Table IV shows the estimated cost to reproduce new the various water distributing systems of the Pacific company in Placer County, as estimated by the Pacific company, with deductions as reported by Mr. Clark.

TABLE IV.

Reproduction cost new of water distributing systems in Placer County, as estimated by Pacific Gas and Electric Company, with deductions reported by Mr. H. F. Clark.

	Auburn	Rocklin	Loomis	Newcastle	Colfax
Reproduction cost estimated by Pacific company, with necessary additions.....	\$74,001 16	\$42,162 08	\$7,812 74	\$12,039 87	\$25,242 54
Eliminating property above distributing reservoir	10,366 15	19,606 99	5,883 51	236 82	9,797 69
Reducing cost of distributing systems.....	4,788 00			894 00	1,353 00
Eliminating services installed at the expense of consumers.....	2,521 85	1,073 93	258 74	772 37	710 55
Total deductions	\$17,976 00	\$20,770 92	\$6,142 25	\$1,903 19	\$11,861 24
Basis for return.....	56,025 16	21,501 16	1,670 49	10,136 68	13,381 30
Eight per cent interest.....	4,482 01	1,711 29	133 61	810 93	1,070 50

I am of the opinion that the deductions in Table IV for property above the distributing reservoirs should be made. The estimated reproduction cost new of the services which were installed at the expense of the consumers should also be eliminated on the facts of this case from the base of return, but appropriate allowances should be made in connection with these services for depreciation annuity and the cost of maintenance and repairs. With reference to the estimated cost to reproduce new the Pacific company's distributing systems, I am content to accept the estimate of the Pacific company, for the reason that this estimate is based on the actual expenditures which seem reasonably to have been incurred.

4. *Depreciation Annuity.*

In its Exhibit No. 9 the Pacific company claims a depreciation annuity on the 4 per cent sinking fund basis as follows:

Auburn -----	\$1,843 04
Newcastle -----	333 83
Rocklin -----	932 36
Loomis -----	161 27
Colfax -----	650 23
Total -----	\$3,920 73

I recommend that the depreciation annuity in this proceeding be computed on the 6 per cent sinking fund basis, on the depreciable property on which a return is herein allowed and also on all the service connections.

The amounts allowed are as follows:

Auburn -----	\$1,438 09
Rocklin -----	550 86
Loomis -----	50 78
Newcastle -----	370 68
Colfax -----	505 24

5. *Operating Expenses.*

The Pacific company has filed herein a detailed statement of its operating expenses in connection with its water distributing systems in Placer County for the years 1915 and 1916. The expenditures for the year 1915 appear in Pacific company's Exhibit No. 17 and for 1916 in Pacific company's Exhibit No. 10.

In its Exhibit No. 17, the Pacific company reports that its operating expenses, including taxes and a proportion of the general expenses of the Pacific company during the calendar year 1915 were as follows:

Auburn -----	\$8,667 31
Rocklin -----	2,573 89
Loomis -----	743 98
Newcastle -----	1,672 46
Colfax -----	3,235 18

To the foregoing figures the Pacific company adds the cost of water at 16 cents per miner's inch per 24 hours, as follows:

Auburn -----	\$4,985 60
Rocklin -----	3,359 04
Loomis -----	1,000 96
Newcastle -----	1,610 40
Colfax -----	690 24

The returns for the year 1915 are more detailed than the returns for 1916 and will be used herein as a basis for the determination of reasonable operating expenses.

Mr. H. F. Clark reported in Railroad Commission's Exhibit No. 1 that the Pacific company's operating and maintenance expenses in connection with its water distributing system in Placer County is abnormally high as compared with the cost of operation and maintenance of water distributing systems in other sections of California. Mr. Clark's report of the operating and maintenance expenses of other comparable public utility water systems in California during the period 1913 to 1916, inclusive, appears in Table V.

TABLE V.

Maintenance and operating expenses of certain public utilities delivering domestic water—1913 to 1916, inclusive—as determined by Mr. H. F. Clark.

Utility	Number of taps	Miles of distributing mains	Maintenance and operation costs				
			Pumping per 100 cu. ft.	Distribution per mile of main	Commercial expense per tap	Total amount	Per tap
Bell Water Company.....	215	5.5	\$0.044	\$91 00	\$1 69	\$2,125 00	\$9 91
Claremont Domestic Water Company	402	13.7	0.06	31 40	2 14	6,245 00	15 50
Corona City Water Company	1,035	26.0	-----	55 00	58	11,850 00	11 46
Covina City Water Company	820	33.4	-----	36 20	94	4,524 00	5 52
Huntington Beach Company	450	22.2	-----	30 00	-----	6,555 00	14 55
La Habra Domestic Water Company	97	4.7	0.06	121 00	1 23	1,593 00	16 40
Tropico City Water Company	757	15.0	-----	-----	1 37	6,117 00	8 06
West San Joaquin Valley Water Company	283	4.3	0.025	119 00	-----	4,584 00	16 20
Total	4,659	-----	-----	-----	-----	\$43,593 00	-----
Average	1	-----	-----	-----	-----	10 74	\$12 20

NOTE.—The expenses shown above *exclude* taxes, depreciation and interest. The services listed are gross cost at time of investigation. The distribution pipe system excludes transmission mains.

It will be observed from Table V that the average annual cost of maintenance and operation of the systems of the specified water utilities is \$10.74 per tap, weighted average, and \$12.20 per tap, numerical average.

Table VI shows the operating and maintenance expenses of the water distributing systems of the Pacific company in Placer County, as reported by the Pacific company, with the elimination of the item of \$335.00 for cost of electricity for pumping in Colfax to make the item comparable with the items in Table V.

TABLE VI.

Operating and maintenance expenses, water distributing systems in Placer County, as reported by Pacific Gas and Electric Company.

Item	Auburn	Rocklin	Loomis	Newcastle	Colfax
Gross number of services.....	579	199	90	129	154
Number of live services.....	558	205	92	121	148
Total operating costs.....	\$8,667 31	\$2,573 89	\$743 98	\$1,672 46	\$2,900 18
Deducting taxes	1,632 30	297 48	89 00	195 00	203 79
Net	\$7,035 01	\$2,276 41	\$654 98	\$1,477 46	\$2,696 39
Add cost of water at 1 cent per 1,000 gallons	5,596 72	3,359 04	1,000 96	1,636 32	1,695 06
Total maintenance and operation...	\$12,633 73	\$5,635 45	\$1,655 94	\$3,113 78	\$4,391 47
Resulting cost per service.....	\$21 80	\$28 30	\$27 60	\$24 16	\$28 50
Per live service.....	22 60	27 50	26 70	25 70	29 70
Omitting water cost, then, per live service	12 60	11 00	10 55	12 20	18 20

It will be observed from Tables V and VI that, including the cost of water at the head of the local distributing systems in Placer County at 1 cent per 1,000 gallons, the cost of maintenance and operation per live service ranges from \$22.60 to \$29.70 on the Pacific company's distributing systems as contrasted with \$10.74 on the systems of the other water utilities set forth in Table V, if the weighted average is considered, and \$12.20 if the numerical average is considered. While the reason for this very large difference in operating and maintenance expenses is not entirely clear, the evidence shows that the average small water company in California is operating its domestic water business much more cheaply than the Pacific company is operating its domestic water business in Placer County. The difference is no doubt due, in part, to the relatively large general office expense of the Pacific company, an appreciable part of which is charged by the company against its domestic water business in Placer County.

After a careful consideration of the evidence herein I find as a fact that the following allowances are reasonable allowances for operating and maintenance expenses to be made in this proceeding:

Auburn	\$13,394 06
Rocklin	5,973 51
Loomis	1,698 32
Newcastle	3,379 08
Colfax	2,538 86

The foregoing allowances include taxes, water at the local distributing reservoirs at 16 cents per miner's inch per 24 hours, and allowances for the operation of chlorination plants amounting to \$400.00 for Auburn and \$200.00 each for Colfax, Newcastle and Rocklin.

6. *Necessary Gross Revenue.*

Table VII shows the gross annual revenue which the Pacific company claims it should receive from the sale of water in Auburn, Newcastle, Rocklin, Loomis and Colfax, together with the revenue actually received in 1915, as shown by Mr. Clark in Railroad Commission's Exhibit No. 1.

TABLE VII.

Necessary gross revenue from sale of domestic water in Placer County as claimed by Pacific Gas and Electric Company.

Item	Auburn	Newcastle	Rocklin	Loomis	Colfax
Depreciable property	\$64,779 26	\$10,452 31	\$39,974 15	\$6,775 87	\$22,738 10
Material and supplies	1,408 13	344 56	529 33	154 80	600 00
Working capital	2,200 00	550 00	900 00	300 00	650 00
Real estate	1,683 00	150 00	1,700 93	508 07	425 00
Total base for return	\$70,080 39	\$11,496 87	\$43,104 41	\$7,738 74	\$24,413 10
Interest at 8 per cent	\$5,606 48	\$919 75	\$3,448 35	\$619 10	\$1,953 05
Depreciation	1,834 04	383 83	982 36	161 27	650 23
Operating expense	8,667 31	1,672 46	2,573 89	743 98	3,235 18
Purchase of water	4,965 00	1,610 40	3,359 04	1,000 96	690 24
Necessary income—as per company ..	\$21,063 38	\$4,536 44	\$10,313 64	\$2,525 31	\$6,528 70
Revenue for year 1915	\$14,865 20	\$2,710 40	\$4,375 55	\$1,015 70	\$4,107 45

It will be observed from Table VII that the gross revenue claimed by the Pacific company is very materially in excess of the revenue which the company received in 1915. The testimony shows that the rates charged by the Pacific company in 1915 have been in effect for many years and in most cases were voluntarily established by the Pacific company or its predecessors.

Table VIII shows the gross revenue which would be derived by the Pacific company from the various communities herein under consideration if the company were allowed a return of 8 per cent on the estimated reproduction cost new of its property which is properly chargeable to the service herein under consideration and if the depreciation annuity is estimated on the 6 per cent sinking fund basis.

TABLE VIII.

Gross revenue from domestic water, Placer County, Pacific Gas and Electric Company.

	Auburn	Rocklin	Loomis	Newcastle	Colfax
Interest at 8 per cent	\$4,865 05	\$1,711 29	\$133 64	\$882 45	\$1,178 74
Depreciation at 6 per cent	1,438 09	550 86	50 78	370 68	505 24
Maintenance and operating expenses	13,394 06	5,973 51	1,698 32	3,379 08	2,538 86
Totals	\$19,697 20	\$8,235 66	\$1,882 74	\$4,632 21	\$4,222 84

7. Rates Herein Established.

The Pacific company filed as its Exhibit No. 18 a statement of the rates which it desires to charge for service to the communities herein under consideration. These rates appear in Table IX.

TABLE IX.

Rates for domestic water service in Placer and Drum districts, as proposed by Pacific Gas and Electric Company.

Monthly flat rates:

1. Residences, boarding houses, apartments, lodging houses, tenements and flats of four rooms and less.....	\$1 25
For each additional room.....	15
Additional for each bathtub.....	25
Additional for each toilet.....	25
Additional for each water power operated washing machine.....	25
Additional for private garage and one machine.....	25
For each additional automobile.....	20
Additional for private barn, not more than two horses or cows.....	50
For each additional animal.....	20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., either public or private, when taken continuously, per 100 square feet.....	03
Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., either public or private, when not taken continuously, per 100 square feet....	07
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, dental offices, theaters, warehouses and butcher shops.....	2 00
4. Drug stores and photographic galleries.....	3 00
5. Bottling works, creameries and slaughterhouses.....	5 00
6. Bank offices, professional offices, billiard parlors, fraternal halls, club-rooms, churches, shoe shops, plumbing shops, stores, shops and offices not otherwise listed.....	1 25
7. Chophouses, restaurants and cafes, per unit of seating capacity.....	15
8. Livery stables and feed yards, per average number of stock fed, each....	25
For private barn in connection with stores, shops, etc., not more than two horses	50
For each additional animal.....	20
9. Garages, 6 autos or less.....	3 00
Garages for each additional machine.....	25
10. Soda fountains and ice cream parlors (either alone or in connection with other business)	1 50
11. Steam laundries	5 00
12. Additional for each bathtub, toilet or urinal in 2 to 11, inclusive.....	25
13. Barber shops, per chair.....	1 00
Additional for each bathtub.....	1 00
Additional for each toilet.....	50
14. Saloons	2 50
Additional for toilet	50
Additional for urinal.....	25
Beer pump	25
15. Hotel Freeman	25 00
16. Hotel Auburn	25 00
17. Auxiliary uses:	
Steam engine, per horsepower.....	15
Public drinking fountain.....	1 50
Public watering trough.....	2 50

18. Small hotels:	
Dining room	2 00
Bedrooms—per room with running water.....	20
Each bathtub	50
Each toilet	25
19. Minimum monthly charge for each service connection.....	1 00
20. Fire hydrants, each.....	1 00

Monthly meter rates:

21. Meter rate, applicable to all measured service from town distribution systems or from ditches, except where delivery from ditch is at uniform rate of flow:

20 cents per 100 cubic feet for the first 1,000 cubic feet.

10 cents per 100 cubic feet for the next 4,000 cubic feet.

4 cents per 100 cubic feet for all over 5,000 cubic feet.

Minimum monthly charge, \$1.00 per meter.

Meters will be installed at the request of any consumer who wishes to be charged upon the meter rate, provided the consumer will deposit \$10.00 to cover cost of meter. This deposit to be credited at the rate of \$1.00 per month upon subsequent water bills.

The company reserves the right to place meters at its own expense upon any service connection and thereafter charge the meter rate.

Table IX does not show the rates which the Pacific company proposes to charge the Southern Pacific Company, which rates are set forth in tentative form in a proposed contract between the two companies.

The effect of the proposed rates on the Pacific company's gross revenue and the amount of the increase in revenue for the various classes of service in the various communities are set forth by the Pacific company in its Exhibit No. 25, which is here reproduced as Table X.

TABLE X.
Comparison of Pacific Gas and Electric Company's present revenue from sale of domestic water in Placer County with estimated revenue from new rates proposed by Pacific Gas and Electric Company.

	Auburn		Newcastle		Rocklin		Loomis		Colfax		All towns	
	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed	Present Total	Proposed Total
Municipal water -----	\$1,305	\$1,401			\$360	\$444			\$258	\$264	\$1,923	\$2,104
Increase -----		96				84				6		186
Increase per cent.		7.4				23.3				2.3		9.7
Domestic water—flat rate:												
Residence consumers (ex-												
cluding sprinkling) --												
Increase -----	\$9,702	\$11,362	\$1,764	\$2,414	\$2,724	\$3,391	\$678	\$895	\$2,808	\$3,866	\$17,676	\$20,928
Increase per cent.		1,660		650		667		217		58		3,252
		17.1		36.9		25.4		32.0		2.1		18.4
Residence consumers—												
Sprinkling -----		\$2,681		\$679		\$1,278		\$233		\$641		\$5,512
Increase -----		2,681		679		1,278		233		641		5,512
Increase per cent.		100		100		100		100		100		100
Commercial consumers--												
Increase -----	\$2,804	\$3,692	\$697	\$1,051	\$989	\$1,421	\$187	\$528	\$1,039	\$1,188	\$5,666	\$7,883
Increase per cent.		888		357		482		311		149		2,217
		31.7		51.2		51.4		182.0		14.3		39.1
Total, domestic water,												
flat rate (including												
sprinkling) -----	\$12,506	\$17,735	\$2,461	\$4,117	\$3,663	\$6,090	\$865	\$1,656	\$3,847	\$4,695	\$23,942	\$34,823
Increase -----		5,229		1,656		2,427		791		848		10,981
Increase per cent.		41.8		63.3		66.4		91.5		22.0		47.2
Irrigation -----	\$225	\$225									\$225	\$225
Increase -----												
Increase per cent.												

TABLE X—Continued.
Comparison of Pacific Gas and Electric Company's present revenue from sale of domestic water in Placer County with estimated revenue from new rates proposed by Pacific Gas and Electric Company.

	Auburn		Newcastle		Rocklin		Loomis		Colfax		All towns	
	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed	Present total	Proposed total
Railroad corporations -----	\$828	\$723	\$411	\$194	\$353	\$159	\$151	\$159			\$1,572	\$1,437
Increase -----		*105	171	*159		8						*85
Increase per cent-----		12.7	71.3	*45.2		5.3						*5.4
Total revenue -----	\$14,864	\$20,084	\$4,558	\$6,729	\$4,376	\$1,815	\$1,016	\$1,815	\$4,105	\$4,959	\$27,062	\$38,144
Increase -----		5,220	1,857	2,312		799		799		854		11,082
Increase per cent-----		35.2	68.7	53.7		78.7		78.7		20.8		41.0

* Decrease.

The foregoing table shows an apparent decrease in the revenue to be secured from the Southern Pacific Company. This apparent decrease is due to the fact that the table shows only the revenue to be derived from sales of water within the respective cities and towns. For instance, in connection with Auburn, Table X does not show the revenue to be derived by the Pacific company from the sale of water from the Fiddler Green canal outside the boundaries of the city of Auburn, amounting to \$2,350.00 annually. The testimony shows that the rates as tentatively proposed will result in an increase of the charges paid by the Southern Pacific Company for water purchased from the Pacific company in Placer County from \$3,500.00 annually to approximately \$8,200.00 annually.

Table X shows very clearly the extent of the proposed increases in the charges to be made by the Pacific company. The cost of water for sprinkling purposes is to be increased 100 per cent; the cost of water for residence consumption, excluding sprinkling, is to be increased from 2.1 per cent to 36.9 per cent; the cost of water to commercial consumers is to be increased from 14.3 per cent to 182 per cent; the cost of domestic water, including sprinkling, is to be increased from 22 per cent to 91.5 per cent; the cost of water to the Southern Pacific Company in Placer County, as has already been shown, is to be more than doubled. The increase in total gross revenue is to range from 20.8 per cent in Colfax to 78.7 per cent in Loomis, with an average increase of 41 per cent. The total gross revenue is to be increased from \$27,062.00 in 1915 to \$38,144.00.

These proposed increases are on the basis of returns claimed by the Pacific company and are higher than the increases which will be allowed herein.

It will be observed that the Pacific company proposes monthly flat rates with optional monthly meter rates. The Pacific company prefers flat rates to meter rates in connection with the domestic water business in Placer County. The city of Auburn takes the same position. The city of Rocklin takes the position that optional meter rates should be established and that the charges under such rates should be approximately the same as the charges which would accrue under the flat rates.

I am satisfied that the only fair and satisfactory solution of this problem will ultimately be the establishment of meter rates. In the meantime, bearing in mind the somewhat unusual conditions in Placer County and the abnormally large consumption of water for domestic uses, as well as the attitude of the water utility affected, I shall recommend the establishment of flat rates as well as optional meter rates. In doing so, however, I wish to draw attention to the fact that the flat rates herein established will be unsatisfactory for the reason that there is nothing in the evidence on which a conclusion can reasonably be

reached as to the amount to be charged for each class of service specified under the head of flat rates. There is nothing in the evidence herein from which I can reasonably conclude that 15 cents is a reasonable rate for each additional room or 25 cents for a bathtub or 25 cents for a toilet or 20 cents for a horse, nor is there any basis herein for concluding that a blacksmith's shop should pay a monthly rate of \$2.00, while a clubroom pays \$1.25 and an ice cream parlor \$1.50.

The rates proposed by the Pacific company will yield a revenue in excess of that herein found to be just and reasonable.

I desire now to direct attention to certain specific items in the rates as proposed.

The minimum monthly flat rate of \$1.25 for residences, boarding houses, apartments, lodging houses, tenements and flats is to be made applicable to four rooms and less. The testimony herein shows that normal houses of this character in Placer County are more likely to have five rooms than four. This rate should apply to structures of the classes indicated having five rooms and less instead of those having four rooms and less.

The rates as proposed do not properly take care of consumers of the Pacific company who are irrigating substantial areas of land from the distributing systems or of people who desire to irrigate vacant lots. The commission's attention was particularly directed to the situation in Rocklin, in which city quite a number of consumers irrigate substantial areas planted to fruit trees and other produce, while other people owning vacant lots desire to irrigate them if they can secure a reasonable rate. The Pacific company's irrigation rate of \$45.00 per miner's inch per year amounts to approximately \$1.50 per acre during each of the five months which constitute the irrigation season. The meter rate proposed by the Pacific company herein would require a payment of approximately \$4.90 per acre while the "sprinkling irrigation" flat rate would be even higher. In one instance, under the rates proposed by the Pacific company, a consumer who is now paying a monthly rental of \$3.00 would be compelled to pay over \$65.00 per month for the irrigation of a five-acre tract. Such rates, of course, are impossible. To meet the necessity for a reasonable rate for irrigation within the cities and towns herein under consideration, I shall recommend the addition to the meter rate proposed by the Pacific company of a rate of 2 cents per 100 cubic feet for all use in excess of 10,000 cubic feet per month.

The rate suggested by the Pacific company for steam engines is 15 cents per horsepower per month. This rate should be reduced to 10 cents per horsepower per month.

The rate of 20 cents "for each additional animal" should be changed to read 20 cents "for each additional horse or cow." As this item now

stands the Pacific company could charge an additional amount of 20 cents for each hog, sheep or goat.

The Pacific company proposes under item 21 to compel a consumer who desires to have a meter installed to deposit \$10.00 to cover the cost of the meter and its installation. This item is directly contrary to Rule 13, established by the Railroad Commission in Case No. 683, decided on August 12, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 830); to the effect that it is the duty of water, gas and electric utilities to install meters at their own expense. This item should be eliminated.

I am satisfied that, even as thus modified, the rates herein proposed by the Pacific company will result in individual cases of undeserved hardship. When such cases arise, they may be drawn to the attention of the commission, whereupon such modification as may seem proper in the rates herein established will be effected.

8. *Service.*

Although the rates herein authorized are, except as to the city of Colfax, substantial increases over the rates now in effect, I am satisfied that most of the Pacific company's consumers in Placer County would be willing to pay these rates if they received good water. The testimony shows that during considerable portions of the year the water supplied by the Pacific company in Placer County is turbid and that many of the Pacific company's consumers find it necessary to install filters. This condition results principally from the necessity of turning into the Boardman canal at the Carburetor a certain amount of the turbid water of the Bear River. One of the incidental effects of the turbidity of the water is a large amount of waste water due to the abnormal injury to water fixtures. As typical of this condition, attention may be drawn to the fact that the wastage of water through the sewers of Auburn is at least three times the normal wastage of cities having the same population.

While the Pacific company, under directions of the State Board of Health, has installed or is now installing chlorination apparatus in connection with the various local distributing systems, this apparatus will not remove the turbidity of the water.

The Pacific company presented testimony to show that the company intends as soon as possible to eliminate Bear River water from the Boardman canal and to bring to the cities and towns of Placer County, through the Boardman canal, the relatively pure and clear water from its Lake Valley reservoir through what is known as the Towle system.

Referring further to service matters, the testimony shows that the service which has been rendered by the Pacific company in certain portions of Auburn, particularly to consumers on Prospect Hill, has

been very unsatisfactory during the summer time. The Pacific company is now taking steps to install larger water mains to serve these people and the necessary cost of this work is being allowed herein.

9. *Effective Date of New Rates.*

I find as a fact that the service now being rendered by the Pacific company in the delivery of water to the communities herein under consideration is not reasonably worth any increased rates.

I also find as a fact that when the Pacific company delivers pure, fresh, clear water to its domestic consumers in Placer County, such service will reasonably be worth the rates set forth in the order herein.

Accordingly, I recommend that the rates set forth in the order herein do not become effective until Pacific company has secured from the Railroad Commission a supplemental order reciting that the Pacific company is delivering to its domestic consumers in Placer County pure, clear, fresh water, so that the service will reasonably be worth the increased rates set forth in the order.

The delivery of water by the Pacific company to the Southern Pacific Company at its various railroad stations in Placer County involves considerations different from those obtaining as to other customers. For some time the two companies have been trying to agree on proposed rates to be submitted to the Railroad Commission for approval. To date no such agreement has been reached. The matter of the rates to be charged by the Pacific company to the Southern Pacific Company will be held in abeyance and will hereafter be established by a supplemental order herein.

Nothing herein contained shall be construed as in any way limiting the authorization given by the Railroad Commission in Case No. 1075, decided on April 28, 1917, permitting all the water utilities of the state, including the Pacific company, to deliver water free or at reduced rates for additional irrigation to assist in meeting the emergency created by the war.

I submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for an order establishing the rates to be charged by said company for water supplied to its domestic consumers in Placer County and to the Southern Pacific Company, public hearing having been held, this proceeding having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rates of Pacific Gas and Electric Company for said service of water would be unjust and unreasonable if Pacific Gas and Electric Company were delivering pure, clear, fresh water and that if Pacific Gas and Electric

Company were delivering pure, clear, fresh water, the rates hereinafter set forth would be just and reasonable rates for such service.

Basing its order on the foregoing findings of fact and on the other findings which are contained in the opinion which precedes this order,

It is hereby ordered subject to the conditions hereinafter set forth, that Pacific Gas and Electric Company be and the same is hereby authorized to charge the following rates for service from its domestic distributing systems in the county of Placer:

Monthly flat rates:

1. Residences, boarding houses, apartments, lodging houses, tenements and flats of five rooms and less	\$1 25
For each additional room	15
Additional for each bathtub	25
Additional for each toilet	25
Additional for each water power operated washing machine	25
Additional for each private garage and one machine	25
For each additional automobile	20
Additional for private barn, not more than two horses or cows	50
For each additional horse or cow	20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., either public or private, when taken continuously, per 100 square feet	03
Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., either public or private, when not taken continuously, per 100 square feet	07
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, dental offices, theaters, warehouses and butcher shops	2 00
4. Drug stores and photographic galleries	3 00
5. Bottling works, creameries and slaughterhouses	5 00
6. Bank offices, professional offices, billiard parlors, fraternal halls, club-rooms, churches, shoe shops, plumbing shops, stores, shops and offices not otherwise listed	1 25
7. Chop-houses, restaurants and cafes, per unit of seating capacity	15
8. Livery stables and feed yards, per average number of stock fed, each	25
For private barn in connection with stores, shops, etc., not more than two horses	50
For each additional horse or cow	20
9. Garages, 6 autos or less	3 00
Garages for each additional machine	25
10. Soda fountains and ice cream parlors (either alone or in connection with other business)	1 50
11. Steam laundries	5 00
12. Additional for each bathtub, toilet or urinal in 2 to 11, inclusive	25
13. Barber shops, per chair	1 00
Additional for each bathtub	1 00
Additional for each toilet	50
14. Saloons	2 50
Additional for toilet	50
Additional for urinal	25
Beer pump	25
15. Hotel Freeman	25 00
16. Hotel Auburn	25 00
17. Auxiliary uses:	
Steam engine, per horsepower	10
Public drinking fountain	1 50
Public watering trough	2 50

18. Small hotels:

Dining room -----	\$2 00
Bedrooms—per room with running water-----	20
Each bathtub -----	50
Each toilet -----	25

19. Minimum monthly charge for each service connection----- 1 00

20. Fire hydrants, each----- 1 00

Monthly meter rates:

21. Meter rate, applicable to all measured service from town distribution systems or from ditches, except where delivery from ditch is at uniform rate of flow:

20 cents per 100 cubic feet for the first 1,000 cubic feet.

10 cents per 100 cubic feet for the next 4,000 cubic feet.

4 cents per 100 cubic feet for the next 5,000 cubic feet.

2 cents per 100 cubic feet for all over 10,000 cubic feet.

Minimum monthly charge, \$1.00 per month per meter.

Meters will be installed at the request of any consumer who wishes to be charged upon the meter rate.

The company reserves the right to place meters at its own expense upon any service connection and thereafter charge the meter rate.

22. To the town of Lincoln and to Roseville Water Company, 16 cents per miner's inch per 24 hours' use.

It is further ordered that this order shall not become effective and that Pacific Gas and Electric Company shall not have the right to charge the rates herein set forth unless and until said company shall first have secured from the Railroad Commission a supplemental order reciting that Pacific Gas and Electric Company is delivering to its said consumers in the county of Placer pure, clear, fresh water.

It is further ordered that in all other respects the above-entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of July, 1917.

DECISION No. 4491.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF ONE MILLION DOLLARS.

Application No. 2586.

Decided July 30, 1917.

BY THE COMMISSION.

SIXTH SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby authorized to use \$80,000.00 of the proceeds obtained

from the sale of \$1,000,000.00 face value of first mortgage 5 per cent 40-year gold bonds authorized by Decision No. 3816, dated October 24, 1916, to reimburse its treasury in the sum of \$30,000.00 and to pay The Washington Water Power Company \$50,000.00, said sums representing payments made or to be made under a contract for the purchase of a 9,000 kilowatt turbine and auxiliaries entered into between Sierra and San Francisco Power Company and The Washington Water Power Company on or about the eighth day of May, 1917.

It is hereby further ordered that this commission's Decision No. 3816, dated October 24, 1916, as amended by the supplemental orders of the Railroad Commission, shall remain in full force and effect except as amended by this sixth supplemental order.

Dated at San Francisco, California, this thirtieth day of July, 1917.

DECISION No. 4492.

IN THE MATTER OF THE APPLICATION OF FARMERS UNION AND MILLING COMPANY FOR AUTHORIZATION TO CHANGE ITS WAREHOUSE STORAGE RATES.

Application No. 2986.

Decided July 31, 1917.

Due to the complex conditions surrounding the business of public storage the commission has found it more feasible to establish warehouse rates to accord as nearly as possible with established practices and charges prevailing in adjacent territory, modified by local conditions and the ability of patrons to pay a given rate for a specified service, instead of basing rates upon the value of the property devoted to warehouse purposes.

Revised rules and regulations and increased schedule of rates established to become effective within fifteen days.

E. B. Stowe, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Farmers Union and Milling Company of Stockton, California, to make certain changes in warehouse rates now charged for service at Stockton, including a few material advances over present charges.

Applicant is engaged in the storage of grain, beans, potatoes and onions, and draws patronage from territory within a radius of 30 or 40 miles.

Evidence on the application was heard before Examiner Encell at Stockton on July 3, 1917.

Two witnesses testified on behalf of applicant, which testimony is undisputed: (1) that 15 cents and 25 cents per ton for handling grain through warehouse from car and team, respectively, as at present charged, is insufficient revenue and that 35 cents to 37 cents per ton would be a fair and reasonable rate for this service; (2) that owing to improved country roads farmers delay storing their grain and wait for higher prices knowing that upon sale it can be moved quickly through the warehouse at the less-than-season rate, thereby reducing warehouseman's normal revenue resulting from longer periods of storage; (3) that labor costs have increased from 20 to 30 per cent; (4) that insurance, repairing and resacking material have greatly advanced in price.

The usual notice of the hearing on this petition was mailed to each of applicant's patrons, but no one appeared to protest against the proposed rates, nor was there any evidence of dissatisfaction with the service heretofore given. The proposed rates, rules and regulations which applicant desires to establish are fully set forth in Exhibit "B" attached to and made a part of the application, but all increases are indicated in the following table, to wit:

Grain (Rates in Cents per Ton).

	Present	Proposed	Increase
Storage 1 month	\$0 50	\$0 50	-----
Storage 2 months.....	50	75	\$0 25
Storage 3 months.....	75	1 00	25
Storage season	1 00	1 00	-----
Loading through warehouse from car.....	15	35	20
Loading through warehouse from team.....	25	35	10

Empty Bags (Rates in cents per bale per month).

	Present	Proposed	Increase
Storage—bales 1,000—			
First month	\$0 10	\$0 15	\$0 05
After first month.....	10	10	-----
Bales less than 1,000—			
First month	10	10	-----
After first month.....	10	07½	*02½

It will be seen that under the proposed rates for grain left on storage for periods of either two or three months a charge of 25 cents per ton more than at present would be made; also that grain transferred through the warehouse and loaded on cars will, when received from cars, take an increase of 20 cents per ton, and 10 cents per ton when delivered to warehouse by team. The rate on empty bags in bales of

1,000 would likewise be 5 cents higher than at present. Several items of service not shown in the present tariff have been added to the proposed schedule, and charges indicated which are thought by applicant to be justified by changed conditions; these are considered by The Farmers Union Milling Company as new rates for additional service not contemplated by the schedule of rates now in effect. Testimony at the hearing tended to substantiate this contention, and such rates may be established and filed with the Railroad Commission.

Applicant's warehouse is favorably located on the water front known as the Stockton Channel in the city of Stockton, the tract upon which it is situated being 400 by 433 feet. The company's entire property devoted to warehouse purposes was found by the commission's engineering department to have a present value of \$86,160.00. These figures do not take into consideration the present enhanced value of almost all material entering into warehouse construction. Under a perfect system of rate fixing a fair return upon this amount after deducting operating and other expense, would probably represent as fair a measure of compensation to the company for its lands, structures, machinery and equipment, set apart for public service, as it would be possible to determine. Owing, however, to numerous elements which influence the business of public storage, including fluctuations as to kind and quantity of crops grown within the radius of a warehouseman's storage territory, varying marketing conditions, and the very close relationship between storing farm and orchard products and the business of growing and marketing on the one hand, or buying and selling on the other, the commission has found it more feasible in many instances to authorize and fix warehouse rates to accord as nearly as may be with established practices and charges prevailing in adjacent localities; modified, of course, by local conditions and the ability and willingness of patrons to pay a given rate for a specified service.

Applicant's annual reports to the Railroad Commission show operating results for the last three years as follows:

	Operating revenue	Operating expense	Net operating revenue	Net operating loss
1914	\$23,228 14	\$19,711 98	\$3,516 16	
1915	21,785 52	21,020 71		\$2,235 19
1916	28,677 37	23,504 97	5,172 40	
Average per annum			\$2,151 12	

The annual net operating revenue here shown would amount to about 2½ per cent on \$86,160.00, the value fixed by the commission's engineering department on applicant's property devoted to warehouse business; on the other hand, in order to realize 8 per cent on its investment, the company would have to receive \$6,882.80 per annum which is more than

300 per cent of the average net operating revenue for the last three years. It is obvious that under its present heavy expense the company can not expect to receive an annual income equal to these figures.

It is apparent that many items of increased cost have entered into the warehouse business within the last three years, and that operating revenues have not kept pace with operating expenses.

Under all the conditions surrounding this application and the facts developed at the hearing it is believed that no injustice will result in the establishment of rates proposed by applicant.

ORDER.

Farmers Union and Milling Company, a corporation, having applied to this commission for authority to increase and adjust its storage and warehouse rates, and a public hearing having been held thereon, and the same having been submitted and being now ready for decision,

It is hereby ordered that Farmers Union and Milling Company be and the same is hereby authorized to publish and file with this commission within fifteen (15) days from the date of this order the following schedule of rates, rules and regulations, and thereafter to charge and collect such rates and enforce such rules and regulations for warehouse service in the city of Stockton, viz:

Rules and Regulations.

Negotiable warehouse receipts will be issued on demand, upon the surrender of receipt tags or weight certificates.

Consignments for which negotiable warehouse receipts are issued can not be delivered until such receipts properly endorsed have been surrendered to the company, and upon the payment of accrued charges.

Portions of consignments covered by warehouse receipts will be delivered to the owners, only after endorsement of such deliveries has been made by an authorized representative of this company.

Storage season on grain ends May 31.

Storage season on beans ends August 31.

All commodities held over the date which terminates the season will be subject to the charges of a new season, as per this schedule, except as stated hereafter under the head of Charges for Special Service.

Grain.		Rate per ton of 2,000 pounds
Minimum charge for storage-----		\$0 50
This charge includes unloading from cars or teams and weighing in and weighing out; storage for 30 days, and loading on cars when loads do not exceed 20 tons per car.		
For the second 30 days' storage-----		25
After 60 days (making \$1.00 as the total for the season storage)-----		25
When grain is in transit notice must be given upon its arrival that it is for transfer, and stating in said notice what disposition is to be made of the grain, and whether for transfer by rail or by water. Ten days' storage will be allowed in transit and the charge for unloading from cars or teams and weighing in and loading out-----		
		35

If reweighed when loading out in transit, an additional	\$0 10
Resacking when necessary by reason of poor sacks or otherwise, when not attributable to warehouse neglect, will be charged for when putting out grain.	
Cars loaded to full space and tonnage capacity, extra charge	10
Unloading or loading "Gondolas," extra charge	15
Stenciling marks on bags for shipment	03
Deliveries in small lots of less than 2 tons will be subject to a special delivery charge in addition to the regular storage for each delivery	25

Charges for Special Service.

All grain inspected and graded under the supervision of the owner and piled at his option in 100-ton lots and held in storage subject to his order, will take the following rates:

A charge of 25 cents per ton for piling for inspection, thereafter, regular or customary storage charges, under this rule shall not exceed 25 cents per ton per month on all varieties of grain, and 30 cents per ton per month on bran and mill feed; provided, that the storage for the current season on any warehouse receipt of inspected grain shall not exceed the following amounts:

On wheat	\$1 25 per ton
Barley, rye and corn	1 50 per ton
Oats	1 75 per ton
Bran and mill feed	2 00 per ton

and provided further, the holder of a warehouse receipt can signify in advance his intention of paying the storage for the current season, when the maximum rate for such storage shall be as follows:

On wheat	\$1 00 per ton
Barley, rye and corn	1 25 per ton
Oats	1 50 per ton
Bran and mill feed	1 75 per ton

The season for storage purposes shall commence on the first day of June and end on the following thirty-first day of May.

The charges for additional storage for fractional parts of a month shall be:

For 5 days or less, 2 cents per ton per day.

For over 5 days and less than 10 days, 12 cents per ton.

For over 10 days and less than 15 days, 15 cents per ton.

For over 15 days a full month's storage shall be charged.

Provided that the holder of a warehouse receipt desiring to take advantage of the foregoing short rates shall so inform the warehouseman and make payment in advance for the time so desired and have same endorsed upon the warehouse receipts. Otherwise a full month's storage can be charged by the warehouseman.

All storage earned shall be due and payable at the end of the current season, any part of a month for the purpose of adjusting storage dates to be paid pro rata at monthly rate.

Ten cents per ton for weighing, when ordered by the owner of the grain.

No charge shall be made by the warehouse company for delivery of grain alongside cars at its own warehouse.

A charge of not exceeding 15 cents per ton for loading inspected grain on cars.

Beans.

	Rate per ton of 2,000 pounds
Minimum charge on storage, 30 days	\$0 50
This charge includes weighing in and weighing and loading out.	
Next 30 days	25
After 60 days (making total for the season, \$1.00 per ton)	25
Deliveries in small lots less than 1 ton will be subject to a special delivery charge in addition to the regular storage charge, for each delivery	25
When in transit for cleaning and shipping, notice must be given that beans are for cleaning and what disposition is to be made of them, this rate to cover 10 days' storage while in transit for cleaning	25
Resacking when necessary by reason of poor sacks or otherwise, when not attributable to warehouse neglect, will be charged for when putting	

Onions.

Minimum charge for storage only in minimum carload lots of 270 sacks,
first 30 days or less, per sack----- \$0 03
After 30 days for each month or fractional part thereof, per sack----- 01

(If onions are to be tiered for preservation less than 5 high or in any special way to suit owner, extra cost of labor may be added per agreement.)

These rates on potatoes and onions are based upon the understanding that the river transportation companies delivered into our warehouse, and that said rates include weighing out and loading cars.

If cars are to be loaded "Decked," a special charge to cover extra labor,
per carload ----- 60

Deliveries of small lots of potatoes or onions less than carloads, for each delivery in addition to regular storage charges----- 25

Potatoes and onions being perishable, this company reserves the right to require their removal from its warehouse upon 5 days notice in writing.

Potatoes.

Potatoes for storage only, in carload lots of 270 sacks, minimum charge
per sack for first 30 days or less----- \$0 03

After 30 days for each month or fractional part thereof, per sack----- 01
(Tiering for storage to be 7 or 8 high at our option.)

Small Seeds.

Alfalfa, melilotus, mustard, etc., minimum charge for season (one ton more or less)----- \$1 50

If deliveries are made less than original lot in full, then an additional special delivery charge for each delivery----- 25

Empty Bags.

Per month, per bale first month----- \$0 15

After first month, per bale per month----- 10

A bale is considered 1,000 bags; if bales are less than 1,000, first month,
per bale ----- 10

After first month, per bale per month----- 07½

If bags arrive by rail, an additional charge for unloading per bale of
1,000 ----- 06

Per bale when in less than 1,000----- 04

Deliveries of bags less than bale lots, for each delivery in addition to regular storage charges----- 25

Dated at San Francisco, California, this thirty-first day of July, 1917.

DECISION No. 4493.

IN THE MATTER OF THE APPLICATION OF FALL RIVER MILLS
WATER COMPANY TO CHANGE THEIR RATES AND REGULATIONS.

Application No. 2872.

Decided July 31, 1917.

Upon a showing that the present rates are not providing an adequate revenue, applicant is authorized to establish an increased schedule of rates, rules and regulations as provided in the order herein, effective August 1, 1917.

W. A. Wilson, for Applicant.

BY THE COMMISSION.

OPINION.

Fall River Mills Water Company, furnishing domestic water to the inhabitants of the town of Fall River Mills, in Shasta County, applies to this commission for authority to increase certain of its rates and have a definite schedule of rules and regulations established.

A public hearing in this matter was held in Fall River Mills on June 22, 1917, by Examiner Encell.

Fall River Mills Water Company was organized in 1904, chiefly by the business men of the town, among whom the stock was well distributed. The original investment is reported to have been \$920.00. This provided a pump and motor with a 3,000-gallon storage tank, about 1,850 feet of mains and 15 fire hydrants. Connections and extensions were made at the expense of applicants for service. After some years of operation, deferred maintenance became so great that many stockholders desired to dispose of their stock, and a majority of the shares was secured by Chas. L. Straub, now president of the utility, who also, about February 1, 1917, assumed certain of the outstanding debts. His stock is stated to have cost him about \$8.00 per share for the 54½ shares which he now holds. Recent additions to plant include an extension of the intake line to the bank of Fall River, a distance of some 460 feet, at a cost of \$159.50. Overhauling the motor and installing automatic electrical apparatus, made an additional expense of \$252.40, most of which is directly chargeable to capital account. The reported additions to capital account therefore aggregate \$411.90.

Applicant served some 32 consumers in 1916, and collected \$385.50 in revenue. The expenses reported amounted to \$339.41, showing a balance of \$46.09 to provide for interest and depreciation.

An examination of the system was made by H. F. Clark, one of this commission's assistant hydraulic engineers. He reported a reasonable operation expense as follows:

Power	\$156 61
Taxes	23 21
Supplies	35 00
Secretary's salary	50 00
Collector	30 00
Miscellaneous	5 00
	<hr/>
	\$299 82

After inspecting the property of the utility and noting the condition thereof, he estimated \$450.00 as the depreciated value of the system, which is now about 13 years old. Interest at 7 per cent would amount to \$31.50, and depreciation at 5 per cent on the investment of \$1,331.90 would be \$66.60.

Exclusive of an allowance for salary of the superintendent, the reasonable costs found by our engineer are:

Maintenance and operation -----	\$299 82
Depreciation -----	66 60
Interest -----	31 50
	<hr/>
	\$397 92

It is reasonable that some remuneration should be allowed the president of the utility, who acts as superintendent of the plant, and it is our opinion that \$15.00 per month for his salary is all that can be permitted at this time. This will be an annual expense of \$180.00.

The revenue in 1916, viz, \$385.50, fell short of returning the necessary income to the company. The utility estimates that the new schedule of rates will increase the revenues of the company about \$281.00 per year. This new schedule provides for uses of water not heretofore covered in the rates, such as power washing machines, garden use, barber shops, garages, etc. It is not sought to change the residential rate of \$1.00 per month. The increases which will be permitted will reasonably provide the additional revenue found necessary to be collected.

The town of Fall River Mills, being unincorporated, has no public funds from which to pay for the fire protection afforded by this utility. The fire hydrants were installed at locations favorable to the various consumers' properties, and have furnished service more to individuals than to the general public. The utility now asks for a rate of 50 cents per month for each hydrant continued in use as protection against fire. For those hydrants used in sprinkling streets a charge of \$1.00 per month is asked.

No meters are in contemplation and the order in this case will provide for the continuation of a flat rate schedule.

The utility has asked to have established a certain schedule of rules and regulations governing the operation of its business. These rules have been examined and in the order herewith there will be outlined a schedule which is deemed just to both the utility and to the consumer.

ORDER.

Fall River Mills Water Company, having applied to this commission for permission to increase certain of its flat rates to water consumers in Fall River Mills, and to establish a schedule of rules and regulations, and a hearing having been held and being fully apprised in the matter, we hereby find as a fact that the rates heretofore charged by Fall River Mills Water Company are unreasonable and unjust in so far as they differ from the rates in the schedule hereinafter ordered, which rates are found to be reasonable and just, and that the rules and regulations hereinafter ordered are reasonable and practicable.

Monthly Rates to Be Charged by Fall River Mills Water Company—Flat Rates.

1. Residence	\$1 00
2. Livery stable	2 00
3. Hotel, lodging or boarding house.....	2 50
4. Store, each	1 00
5. Garage	1 50
6. Each head of stock over one kept by private family.....	25
7. Bathtub, patent toilet or lavatory, each.....	25
8. Laundry	3 00
9. Barber shop with one chair.....	1 00
Each additional chair.....	50
10. Dentist's office	1 00
11. Public watering trough.....	2 00
12. Public bathtubs	1 00
13. Blacksmith and wagon shop.....	2 00
14. Lodge or meeting room.....	50
15. Photograph studios	2 00
16. Packing houses	2 50
17. Water power motors for office or household use.....	1 00
18. Water used by buildings under construction.....	1 00
19. Gardens or lawns, per 100 square feet.....	03
20. Fire hydrants for use in case of fire only.....	50
21. Stands for sprinkling streets, etc., to include use provided in section 20 hereof.....	1 00
22. Minimum monthly bill shall not be less than.....	50

Rules and Regulations.

1. All bills are payable monthly, and if not paid by the tenth day of the month following the use, a penalty of 15 cents may be added to the amount due, and a written notice served that if the bill is not paid within fifteen days thereafter, service may be discontinued and a fee of \$1.00 charged before reconnecting.

2. Service connections will be installed by the utility at its own expense from its mains to the curb line or to the property line, where curb is not established. If no evidence of reasonably immediate use of water is furnished, the utility may refer the application to the Railroad Commission for determination of the necessity for the installation.

Extensions of mains will be made where necessary if the anticipated revenues therefrom will annually return 20 per cent of the amount expended for the extension; otherwise, disputes will be settled after submitting full details to the Railroad Commission and getting their decision.

3. Immediately upon a fire alarm all irrigating faucets must be closed and kept closed during use of water at the fire.

4. No consumer shall permit water to be used on other premises than those for which the service is paid.

5. The company may during reasonable hours examine pipe and fixtures and use of water on the premises of any consumer.

6. Consumers shall not knowingly permit any leaks or waste of water.

7. Water for sprinkling lawns and irrigating gardens shall be used only between the hours of 5 to 8 a.m. and 5 to 8 p.m.; and for sprinkling streets from 5 to 6 p.m. No nozzle for street sprinkling shall be larger than $\frac{3}{4}$ -inch diameter.

8. Any violation of these rules will justify discontinuance of service and the requirement of a penalty of \$1.00 for reconnection.

It is hereby further ordered that these rates, rules and regulations become effective on and after August 1, 1917.

Dated at San Francisco, California, this thirty-first day of July, 1917.

DECISION No. 4494.

IN THE MATTER OF THE APPLICATION OF J. W. ELY, AS ADMINISTRATOR OF THE ESTATE OF J. H. ELY, DECEASED, FOR PERMISSION TO RAISE THE ANNUAL RATE OF STORAGE UPON GRAIN AND PRODUCE DEPOSITED IN THE ELY WAREHOUSE AT NORTON STATION.

Application No. 2938.

Decided July 31, 1917.

Upon a showing that certain increases in present rates for storage are justified, the following schedule established to become effective immediately: Storage of grain and rice for season, June 1 to May 31, 90 cents per ton; resacking to be charged for at actual cost to warehouseman of sacks, materials used and labor furnished; increase conditioned upon the rendering of first-class service, receiving, piling, loading, etc.

Hudson Grant, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to increase present rate from 70 cents per ton to \$1.00 per ton for the storage and handling of grain and produce per season in warehouse at Norton Station, in Yolo County.

This warehouse was built by applicant's father, J. H. Ely, between 1875 and 1880 and rebuilt about 13 years ago. J. H. Ely operated it until his death about a year ago in connection with his ranch upon which it is located. Since then applicant has operated both warehouse and ranch, as administrator of the estate of his deceased father.

As the application is by an administrator, and his interest in the property as such is of a temporary character, the order herein will be made to apply to the heirs and distributees of the estate so that it may

not become necessary in the near future to make another application herein.

Applicant could not show the cost of the warehouse but he values the building, including the land on which it stands, and that which is used and reasonably useful in connection therewith, at about \$5,000.00. For two years he has supplied the labor under contract for storing grain and produce in the warehouse and for removing it from the warehouse, being paid an agreed rate of 20 cents per ton for each operation. The labor for this purpose was and is supplied by applicant from the labor steadily employed on the ranch which he operates. Such labor has heretofore cost him about 12 cents per ton for labor each way in receiving grain into the warehouse and loading into the cars. The reason offered for asking the increase in rate is the increased cost of labor and supplies incident to the business and the increased cost of boarding the men. The testimony indicates that the increased cost for labor is about 20 per cent. The revenue earned by this warehouse for the last five years is shown by annual reports of the operations to be as follows:

Year		Operating expenses	Net operating revenue
1912 -----	\$1,119 00	\$904 78	\$214 22
1913 -----	1,023 80	605 93	417 87
1914 -----	1,884 62	1,352 41	532 21
1915 -----	1,450 86	929 33	521 53
1916 -----	1,348 53	939 09	409 44
Totals -----	\$6,826 81	\$4,731 54	\$2,095 27
Average -----	1,365 36	946 31	419 05

Operating expenses for last season include labor at 20 cents per ton and \$120.00 for interest on \$2,000.00, mortgage on the building, proceeds of which was used in rebuilding it thirteen years ago. Taxes and insurance are also included but no allowance for depreciation. No salaries are included.

Notice of hearing was sent to applicant's patrons stating that a rate of \$1.00 per ton was requested. No objection to an increase was offered. Applicant stated that several patrons had expressed a willingness to pay an increased rate. Applicant proposes that the rate requested shall include storage and all handling of grain and rice, including receiving, trucking, piling, loading and resacking, including sacks.

Inasmuch as the amount of resacking which becomes necessary depends principally upon the quality of the sacks and their condition when the grain is stored, and the work of rates and insects, and upon other circumstances beyond the control of the warehouseman, cost of this service should not be required to be borne by him, included in a

fixed flat rate. For similar reasons, it would be unjust to require each patron of a warehouse to pay in a fixed flat rate for service rendered to only part of the patrons. We have therefore concluded to fix a rate of 90 cents for storage and handling with allowance to cover extra labor and materials where resacking becomes necessary.

ORDER.

J. W. Ely, as administrator of the estate of J. H. Ely, deceased, having applied to the Railroad Commission for authority to increase the annual rate for storage upon grain and produce deposited in the Ely Warehouse at Norton Station, Yolo County, and a public hearing having been held thereon and said application having been submitted and being now ready for decision, it is hereby found as a fact that existing rates are noncompensatory and unreasonable and that the rates herein authorized are just and reasonable.

Basing our conclusions upon the foregoing finding of fact and upon the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that J. W. Ely, as administrator of the estate of J. H. Ely, deceased, be and he is hereby authorized to establish and file immediately and thereafter collect the following rates for storage of grain and produce in the Ely Warehouse at Norton Station, Yolo County, viz:

For storage of grain and rice per season, from June 1 to May 31, 90 cents per ton.

Resacking to be charged for at actual cost to warehouseman of sacks and material used and labor furnished.

The authority hereby granted shall extend to the successor or successors in office of said administrator, and to the heirs and distributees of said estate.

It is hereby further ordered that the collection of these rates shall be conditioned upon the rendering of first-class service in receiving, weighing in, piling, carrying in storage, resacking, loading into cars, and such other service as it is customary for warehousemen similarly situated to render.

Dated at San Francisco, California, this thirty-first day of July, 1917.

Decision No. 4495, grade crossing; not printed. See end of volume.

DECISION No. 4496.

IN THE MATTER OF THE APPLICATION OF FALL RIVER MILLS WATER
COMPANY FOR THE ISSUANCE AND SALE OF STOCK.

Application No. 2866.

Decided July 31, 1917.

Applicant authorized to issue 6 shares of its common capital stock of the par value of \$10.00 per share in lieu of a like number of shares heretofore issued without authorization, proceeds of which were used for additions and betterments to plant.

W. A. Wilson, for Applicant.

BY THE COMMISSION.

OPINION.

Fall River Mills Water Company, operating in Shasta County, applies to this commission for permission to issue six (6) shares of common stock of the par value of ten dollars (\$10.00) per share in lieu of stock heretofore issued without authority from this commission.

A public hearing was held in this matter at Fall River Mills by Examiner Encell on June 22, 1917.

Evidence was submitted at the hearing showing that there had been returned to the company's treasury, by reason of the death of a stockholder, three and three-quarters ($3\frac{3}{4}$) shares of stock, which shares were later disposed of at par to secure funds for improvements. The other two and one-quarter ($2\frac{1}{4}$) shares were sold at par and the moneys realized were invested in the plant.

During the year 1916, this utility found it necessary to extend its main suction pipe line from the pumping plant to the bank of Fall River at an expense of \$159.50, part of which was paid through the issue of stock.

The evidence shows that the six shares of stock were issued without authority from this commission and are therefore void, but there was no intent to violate any provisions of the Public Utilities Act.

ORDER.

Fall River Mills Water Company having applied to the Railroad Commission for authority to issue stock in lieu of stock heretofore issued without authority from the commission, and a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Fall River Mills Water Company be and it is hereby granted authority to issue six (6) shares of common stock at not less than par value of ten dollars (\$10.00) per share in lieu of and upon the cancellation and surrender of a like number of shares heretofore paid for at the rate of ten dollars (\$10.00) per share and issued without authority from this commission, to secure funds to pay for improvements mentioned in the foregoing opinion.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) On or before the twenty-fifth day of each month applicant shall file a report in accordance with this commission's General Order No. 24.

(2) The authority herein granted shall apply only to such stock as shall be issued on or before November 1, 1917.

Dated at San Francisco, California, this thirty-first day of July, 1917.

DECISION No. 4497.

IN THE MATTER OF THE APPLICATION OF SUISUN AND GREEN VALLEY TELEPHONE COMPANY FOR AN ORDER AUTHORIZING THE BORROWING OF SIX THOUSAND DOLLARS AND THE INCREASE OF RATES OR RENTALS.

Application No. 2763.

Decided August 1, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Applicant in the above-entitled proceeding having under date of July 30, 1917, requested permission to withdraw its application,

It is hereby ordered that the application in said proceeding be and the same hereby is dismissed without prejudice.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4498.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO ABANDON AND REMOVE CERTAIN PORTIONS OF ITS RAILROAD TRACKS IN THAT PORTION OF THE CITY OF LOS ANGELES, FORMERLY KNOWN AS THE CITY OF SAN PEDRO, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

Application No. 1596.

Decided August 1, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Pacific Electric Railway Company having on July 29, 1917, made a supplemental application asking permission to abandon that portion of its track located on Palos Verdes street, south of Fourteenth street, permission to abandon which was withheld in the original order in this matter, and it now appearing that this track serves no useful purpose and that the Board of Public Utilities of the city of Los Angeles has recommended its removal; and that this application should be granted.

It is hereby ordered that Pacific Electric Railway Company be and the same hereby is granted permission to remove its track on Palos Verdes street, south of Fourteenth street, in that portion of the city of Los Angeles formerly known as the city of San Pedro, in accordance with its application.

The commission reserves the right to make such further orders relative to this application as to it may seem right and proper.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4499.

IN THE MATTER OF THE APPLICATION OF GEORGE VON STADEN FOR AN ORDER AUTHORIZING SAID APPLICANT TO DISCONTINUE THE SUPPLYING OF WATER FOR DOMESTIC USES.

Application No. 2952.

Decided August 1, 1917.

Applicant's petition to discontinue water service denied and instead a schedule of flat and meter rates established to become effective within twenty days.

Sans & Hudson, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant is operating a public utility water system, supplying water for domestic and garden uses to the residents of Lehrke Tract,

near El Verano, Sonoma County. Applicant asks authority to discontinue this public utility service, or in the event the request to discontinue is denied that the Railroad Commission make an order fixing just and reasonable rates for the service rendered.

The residents of the Lehrke Tract are at present dependent for water upon the public utility system of applicant, and applicant has not shown any good reason why the service should be discontinued, and, accordingly, this request must be denied. We shall, accordingly, consider the question of just and reasonable rates.

The evidence shows that the plant cost \$3,091.04 when it was installed in 1910. The cost during the last year for power used in pumping, with no restrictions on use, was about \$80.00. The cost of labor incidental to looking after the plant is now \$10.00 per month. To date nothing has been expended for repairs. The commission's engineers estimate that the cost of maintenance and operation, with suitable annuity to cover depreciation, will amount to \$305.00 per annum. In this case, a water rate which would provide for maintenance and operation and pay a fair rate of return upon the total investment would be prohibitive with so few consumers established. A considerable portion of the investment could be properly charged as a benefit enjoyed by the owner of the 80-acre tract. The fact that water is developed for the 240 acres, which were subdivided and sold, would undoubtedly greatly increase the value of the 80 acres remaining.

ORDER.

George Von Staden having applied to the Railroad Commission for authority to discontinue service of water upon the Lehrke Tract near El Verano, Sonoma County, or if such authority be not granted, that rates be fixed for such service, and a public hearing having been held, and the matter now being ready for determination,

It is hereby ordered that the application to discontinue service be and it is hereby denied.

It is hereby found as a fact that the rates existing for applicant's water service are not compensatory and are unreasonable, and that the rates hereinafter set forth are reasonable rates for such service.

Acting upon said finding of facts and the findings of fact contained in the opinion proceeding this order,

It is hereby further ordered that George Von Staden be and he is hereby empowered to charge and collect the following schedule of rates for water service supplied by his pumping plant located near El Verano, Sonoma County, said schedule of rates to be filed in duplicate with this commission within twenty (20) days from the date of this order:

Flat Rates.

\$1.00 per month for family.
For each toilet, per month, 25 cents.
For each bathtub, per month, 25 cents.
For each head of stock, per month, 25 cents.
For irrigation of lawns and gardens, 25 cents per 100 square yards.

Meter Rates.

First 1,000 cubic feet, per month, 15 cents per 100 cubic feet.
Over 1,000 cubic feet, per month, 10 cents per 100 cubic feet.
Minimum monthly charge, \$1.25.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4500.

IN THE MATTER OF THE APPLICATION OF MOORPARK WATER, LIGHT AND POWER COMPANY FOR ORDER AUTHORIZING ISSUE OF A NOTE FOR ONE THOUSAND SEVEN HUNDRED FIFTY DOLLARS, TO BE SECURED BY A MORTGAGE ON REAL PROPERTY OF THE APPLICANT.

Application No. 3033.

Decided August 1, 1917.

Applicant authorized to issue its two-year note in the sum of \$1,750.00, bearing interest at 7 per cent, for the purpose of refunding two notes of a like face value.

Robert J. Batty, for Applicant.

BY THE COMMISSION.

OPINION.

Moore Park Water, Light and Power Company seeks authority to mortgage its property to secure the payment of a note for \$1,750.00, payable to Farmers Bank of Moorpark, to refund two notes for \$1,250.00 and \$500.00, respectively, the proceeds of which were used for capital purposes.

A public hearing in the matter was conducted by Examiner Westover.

Applicant was incorporated in 1912 with a capital stock of \$10,000.00, divided into 400 shares of the par value of \$25.00 each, for the purpose of purchasing a water system supplying domestic water to the inhabitants of Moorpark, Ventura County. Stock in the amount of \$3,250.00 is reported as outstanding. It executed its note and mortgage to the

Oxnard Savings Bank for \$1,250.00 and used the \$1,250.00 proceeds together with \$1,250.00 raised by the sale of stock at par to pay \$2,500.00 for its system and five acres of water-bearing lands.

In the spring of 1916 applicant applied for authority among other things to borrow \$3,000.00 to be secured by mortgage on its property and use \$1,250.00 to refund the above note to Oxnard Savings Bank, apply \$1,000.00 to the development of one of its tunnels and use the balance to install a cement reservoir. In Decision No. 3332 of May 13, 1916, on that application it was suggested that applicant borrow of the bank temporarily sufficient money to develop further water supply and delay installing further storage capacity until the water was developed. (See Vol. 10, Opinions and Orders of the Railroad Commission of California, p. 91.)

At the present hearing applicant reported that it had borrowed \$500.00 from the bank and developed one of its tunnels so that its present water supply is about double that of its supply at the time of its earlier application, and that it has had a healthy growth in its business.

Applicant reports capital installed to May 31, 1917, of \$5,176.00, with an indebtedness of \$1,750.00 represented by the two notes above referred to. For the year ended December 31, 1916, it reported gross revenue of \$1,060.30; operating expenses of \$467.84; net operating revenue of \$592.46; interest \$124.68; and surplus from operation for year \$467.78. The operating expenses include no allowance for depreciation.

Applicant has arranged with the bank for a two-year loan, but with the understanding that the loan may run long beyond its maturity if desired.

ORDER.

Moore Park Water, Light and Power Company having applied for authority to mortgage its property and issue the note described herein and a public hearing having been held thereon, and it appearing to the commission that the money to be procured by the issue of said note is reasonably required by applicant for the purpose specified in the order, which purpose is not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Moore Park Water, Light and Power Company be and it is hereby authorized and empowered to issue note for \$1,750.00, payable to Farmers Bank at its office in Moorpark two years after its date, with interest at the rate of 7 per cent per annum, payable semiannually, and to mortgage its property to secure the payments of said note, said mortgage to be substantially in form of copy attached to above application.

The proceeds of said note shall be used to refund its two notes payable to First National Bank of Oxnard, dated and in amounts as follows: July 11, 1912—\$1,250.00; June 26, 1916—\$500.00.

This order is upon the following conditions:

1. Nothing herein contained shall be construed as a finding of value of applicant's property for any purpose other than that of the present application.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to other legal requirements to which said mortgage may be subject.

3. The authority herein granted shall extend only to such note or mortgage as shall have been executed within thirty (30) days from date hereof.

4. Within twenty (20) days after the execution and delivery of said note and mortgage, applicant shall make verified report in writing to the Railroad Commission of the fact and date of execution and delivery of said note and mortgage and of the disposition of the proceeds arising therefrom and shall supply the commission with copy of each of said documents as finally executed.

5. This authority to issue note shall not become effective until the fee specified in the Public Utilities Act therefor shall have been paid.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4501.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION TO SELL AND TRANSFER TO THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY ALL ITS RIGHT, TITLE AND INTEREST IN AND TO THE TELEPHONE EXCHANGE PROPERTY LOCATED AT TULARE, TULARE COUNTY, CALIFORNIA, AND THE TELEPHONE FRANCHISES COVERING THE OPERATION OF SAID EXCHANGE, AND OF THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY TO ACQUIRE SAID PROPERTY AND FRANCHISES.

Application No. 3042.

Decided August 1, 1917.

Pacific and Sunset companies authorized to transfer telephone properties in the city of Tulare to the Tulare Home Telephone and Telegraph Company, provided the Tulare company file a stipulation to the effect that no value shall ever be claimed for any right or franchise transferred in excess of the actual cost to original grantee.

BY THE COMMISSION.

ORDER.

Whereas the Railroad Commission by Decision No. 1387, dated March 30, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 586), authorized Sunset Telephone and Tele-

graph Company to assign and transfer its telephone properties, located at Tulare, to Tulare Home Telephone and Telegraph Company; and

Whereas Tulare Home Telephone and Telegraph Company paid for the properties prior to the effective date of the Public Utilities Act; and

Whereas through inadvertence the properties were never assigned and transferred to The Tulare Home Telephone and Telegraph Company, but have been assigned and transferred to The Pacific Telephone and Telegraph Company; and

Whereas The Pacific Telephone and Telegraph Company and Sunset Telephone and Telegraph Company now ask authority to transfer to The Tulare Home Telephone and Telegraph Company the telephone system and franchises in and adjacent to Tulare, Tulare County, in accordance with the form of an agreement of sale attached to the application in this proceeding and marked Exhibit "A," the particular property to be transferred being therein described as follows:

"All exchange poles, crossarms, cables and wires, all central office and subscribers' station equipment, drop wires, etc., within the exchange limits of Tulare, California; also all farmer line equipment outside of the exchange limits connected directly with the Tulare Exchange, but expressly excepting and reserving American Bell transmitters and receivers used in connection with said exchange, and all toll line poles, crossarms, wires, fixtures, etc., of The Pacific Telephone and Telegraph Company in the territory covered by the connecting agreement between The Pacific Telephone and Telegraph Company and The Tulare Home Telephone and Telegraph Company, dated February 25, 1909; provided, however, that the seventeen (17) poles mentioned in the seventeenth section thereof, shall, for the purpose of this transaction, be classed as exchange poles, but on the express condition that The Pacific Telephone and Telegraph Company shall have the perpetual right to the use, free of charge, for its toll wires, of the top crossarm on said poles, or any replacements thereof;"

also the following franchises specifically mentioned in Exhibit "A" of the agreement between The Pacific Telephone and Telegraph Company and The Tulare Home Telephone and Telegraph Company, dated February 25, 1909:

"Franchises granted to S. P. Sibley, his successors and assigns, by Ordinance No. CLXXVII of the town of Tulare, California, passed on the sixth day of October, 1902, entitled 'An ordinance granting to S. P. Sibley, successors and assigns, the right to erect and maintain poles and stretch wires thereon along the streets and alleys of the streets of Tulare, with which to carry on the business of receiving and transmitting telephonic communications and messages and other purposes.'

"Franchise granted to Sunset Telephone and Telegraph Company, its successors and assigns, by Ordinance No. CXLIV of the

town of Tulare, California, passed on the sixth day of October, 1896, entitled 'An ordinance granting to Sunset Telephone and Telegraph Company, of San Francisco, their successors and assigns, the right to place, erect and maintain poles, wires and other conductors for the transmission of electricity for telephone and telegraphic purposes, in and upon the streets, alleys and public highways in the city of Tulare, state of California; and to exercise the privilege of operating telephones within the said city.' "

And The Tulare Home Telephone and Telegraph Company having joined in the application, and the commission being of the opinion that this is not a matter where a public hearing is necessary and that the application should be granted,

It is hereby ordered that The Pacific Telephone and Telegraph Company and Sunset Telephone and Telegraph Company be and the same are hereby granted authority to assign and transfer the properties, above described, to The Tulare Home Telephone and Telegraph Company. The authority hereby granted to assign and transfer the properties shall not be construed as a finding of value for rate fixing or any other purpose.

The authority hereby granted shall not become effective until The Tulare Home Telephone and Telegraph Company shall have filed with the Railroad Commission a stipulation duly authorized by its board of directors, declaring that The Tulare Home Telephone and Telegraph Company, its successors and assigns, will never claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges to be acquired because of the purchase of the aforementioned franchises in excess of the actual cost of said franchises to the Sunset Telephone and Telegraph Company, said cost to be set forth in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation, in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

The authority hereby granted shall apply only to such transfer of property as shall have taken place on or before November 30, 1917.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4502.

IN THE MATTER OF THE PROPOSED CONSTRUCTION OF THE LOWER
OTAY DAM BY THE CITY OF SAN DIEGO.

Application No. 3053.

Decided August 1, 1917.

BY THE COMMISSION.

ORDER.

The city of San Diego, a municipal corporation of the county of San Diego, having made application for authority to proceed with the construction of the so-called Lower Otay dam and appurtenant works, of which copies of the advertisement, proposal, drawings, specifications and bond and contract have been filed; and it appearing that this is not a case in which a public hearing is necessary; and the commission having made examination of the data filed herein and considered the reports of its engineers and the records in other proceedings involving the water system of San Diego, and it thereupon appearing that the construction of the proposed works at the Lower Otay dam site should result in a safe structure,

It is hereby ordered that permission be hereby granted to proceed with the construction of the Lower Otay dam, outlet tower and tunnel and independent spillway, according to the plans and specifications submitted with the application.

This authority is granted subject to the following conditions:

1. The authority hereby granted shall not be considered as an approval of the expenditures involved nor as approval of the value for rate fixing or other purposes, the commission in this proceeding passing merely upon the safety of the structure.
2. The city is to notify the commission when the foundations are prepared and before any of the materials of engineering are placed to allow for a full inspection.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4503.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS
COMPANY OF CALIFORNIA FOR AN ORDER PRELIMINARY TO THE
ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY UNDER A FRANCHISE TO BE SECURED FROM THE
CITY OF MONTEREY PARK, LOS ANGELES COUNTY.

Application No. 2752.

Decided August 1, 1917.

Preliminary certificate, prior to obtaining by applicant of necessary franchise, was
heretofore issued by the commission; franchise now having been obtained from

the city of Monterey Park, final certificate is issued permitting construction and operation of gas distributing system in said city, provided no value shall hereafter be claimed for such franchise in excess of actual original cost thereof.

Hunsaker & Britt and Le Roy M. Edwards, by G. Harold Janeway, for Applicant.

LOVELAND, *Commissioner.*

FIRST SUPPLEMENTAL ORDER.

In this supplemental application Southern Counties Gas Company of California asks for a certificate of public convenience and necessity under a franchise adopted by the board of trustees of the city of Monterey Park, Los Angeles County, on April 14, 1917.

In Decision No. 4168, dated March 7, 1917, this commission issued its preliminary order stating that it would issue such a certificate upon proper application by the utility after it had secured the necessary franchise.

The franchise under which applicant proposes to operate is contained in Ordinance No. 23 of the city of Monterey Park. It grants to Southern Counties Gas Company of California the right to construct, maintain and operate a gas distributing system for a period of fifty years in that portion of the city south of Lincoln avenue and the east and west prolongation thereof. By its terms the company after five years is required to pay to the city 2 per cent of the gross annual receipts arising from the use or possession of the franchise.

A hearing in this matter was held in Los Angeles on July 14, 1917, at which time applicant testified that no other company was now serving gas in this territory and that it had received in excess of 100 applications for service.

After a consideration of the evidence I am of the opinion that this application should be granted and I submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied for a certificate that public convenience and necessity require the construction of a gas distributing system in the city of Monterey Park, Los Angeles County, under Ordinance No. 23, adopted April 14, 1917, and a public hearing having been held, and the commission being of the opinion that this application should be granted,

The Railroad Commission of California hereby declares that public convenience and necessity require the exercise by Southern Counties Gas Company of California of the rights and privileges conferred by Ordinance No. 23 of the city of Monterey Park, Los Angeles County, adopted April 14, 1917, provided that Southern Counties Gas Company of California shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors, declaring that Southern Counties Gas Company of California, its successors and

assigns, will never claim before the Railroad Commission, or any court or other public body, a value for said rights and privileges in excess of the actual cost to Southern Counties Gas Company of California of acquiring said rights and privileges, which cost shall be set forth in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

The foregoing first supplemental opinion and order are hereby approved and ordered filed as the first supplemental opinion and order of the Railroad Commission of California.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4504.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE NO. 25 OF THE CITY OF MONTEREY PARK, LOS ANGELES COUNTY.

Application No. 3008.

Decided August 1, 1917.

Applicant granted a certificate permitting the construction and operation of a gas distributing system in certain portions of the city of Monterey Park, provided that such system shall not extend into territory covered by a gas franchise issued to the Southern Counties Gas Company by said city and that no value shall hereafter be claimed by applicant for its franchise in excess of the actual original cost thereof.

J. H. Powell, for Applicant.

Hunsaker & Britt and *LeRoy M. Edwards*, by *G. Harold Janeway*, for Southern Counties Gas Company of California, Intervenor.

Thomas H. Berkelbile, for city of Monterey Park.

LOVELAND, Commissioner.

OPINION.

This is an application of Los Angeles Gas and Electric Corporation for a certificate that public convenience and necessity require the construction of a gas distributing system in that portion of the city of Monterey Park, covered by Ordinance No. 25 of said city, adopted May 26, 1917.

At the hearing witness for petitioner testified that the company now has applications for service from approximately 65 consumers and that in the neighborhood of 9,171 feet of mains will be required to serve these parties.

The franchise under which applicant proposes to operate gives the company the right to lay, construct and maintain a gas distributing system for a period of forty years in the northerly portion of the city of Monterey Park, the territory being more fully described in the franchise, a copy of which is attached to the application herein as Exhibit "A." This franchise requires the company after five years to pay to the city 2 per cent of the gross annual receipts arising from the use or possession of the franchise.

Southern Counties Gas Company of California also has a franchise from the city of Monterey Park, contained in Ordinance No. 23, adopted April 14, 1917. The territory covered by this franchise is described as that portion of the city south of Lincoln avenue and the east and west prolongations thereof. With the exception of a small section, the territory covered by the franchise of Southern Counties Gas Company of California is distinct and separate from the territory covered by the franchise of Los Angeles Gas and Electric Corporation.

Counsel for Los Angeles Gas and Electric Corporation stated that his company had no desire to encroach upon the territory covered by the franchise of Southern Counties Gas Company of California and that the order herein might contain a condition to that effect; provided that the order following contain such condition, Southern Counties Gas Company of California withdrew its objections to the granting of the application. I shall therefore recommend that this application be granted subject to the condition that Los Angeles Gas and Electric Corporation shall not serve any territory covered by the franchise of Southern Counties Gas Company of California contained in Ordinance No. 23 of the city of Monterey Park.

ORDER.

Los Angeles Gas and Electric Corporation having applied for a certificate that public convenience and necessity require the construction of a gas distributing system in the city of Monterey Park, Los Angeles County, under Ordinance No. 25, adopted May 26, 1917, and a public hearing having been held, and the commission being of the opinion that this application should be granted,

The Railroad Commission of California hereby declares that public convenience and necessity require the exercise by Los Angeles Gas and Electric Corporation of the rights and privileges conferred by Ordinance No. 25 of the city of Monterey Park, Los Angeles County, adopted May 26, 1917; provided, that the authority herein granted shall not extend to any territory covered by the franchise granted to Southern Counties Gas Company of California under Ordinance No. 23 of the city of Monterey Park, adopted April 14, 1917; and provided, further, that Los Angeles Gas and Electric Corporation shall first have filed

with the Railroad Commission a stipulation duly authorized by its board of directors, declaring that Los Angeles Gas and Electric Corporation, its successors and assigns, will never claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges granted by said Ordinance No. 25 of the city of Monterey Park, in excess of the actual cost to Los Angeles Gas and Electric Corporation of acquiring said rights and privileges, which cost shall be set forth in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4505.

IN THE MATTER OF THE APPLICATION OF HEMET-SAN JACINTO GAS COMPANY FOR AUTHORITY TO SELL, AND OF SOUTHWESTERN GAS COMPANY FOR AUTHORITY TO PURCHASE, A CERTAIN GAS PLANT AND DISTRIBUTING SYSTEM SITUATED IN THE CITIES OF HEMET AND SAN JACINTO, RIVERSIDE COUNTY.

Application No. 2939.

Decided August 1, 1917.

Hemet company authorized to transfer its gas properties in the cities of Hemet and San Jacinto to the Southwestern Gas Company in exchange for securities of the latter company of the face value of \$40,470.00, and the Southwestern company is granted a preliminary certificate, prior to obtaining the necessary franchises, stating that when such franchises are obtained a certificate will be issued permitting operation of the above properties.

W. C. Petchner, for Applicant.

LOVELAND, Commissioner.

OPINION.

In its amended petition, Hemet-San Jacinto Gas Company asks authority to sell its properties described in Exhibit 1, attached hereto, subject to a bonded indebtedness of \$25,000.00, to Southwestern Gas Company, in exchange for such an amount of stock of the purchasing company as may represent the equitable value of the properties.

Southwestern Gas Company asks the commission to issue its order declaring that public convenience and necessity will require it to exercise rights and privileges which it proposes to acquire under franchises to be secured from the cities of Hemet and San Jacinto.

Hemet-San Jacinto Gas Company was organized in March, 1906, for the purpose of acquiring the gas properties of the Western Construction Company. It issued in exchange for these properties \$69,000.00 par value of its capital stock and \$22,000.00 face value of its first mortgage 20-year 6 per cent bonds. In January, 1913, the company levied a 10 per cent assessment upon its stockholders, with the result that stock in the amount of \$26,122.00 was reacquired by the company because of the failure of the holders thereof to pay the assessment, leaving \$42,878.00 stock outstanding.

For the years 1914, 1915 and 1916, Hemet-San Jacinto Gas Company has reported revenues and expenses to this commission as follows:

Items	1914	1915	1916
Operating revenue	\$9,441 89	\$10,268 93	\$9,428 18
Operating expenses	7,577 77	7,513 82	7,458 14
Net operating revenue	\$1,864 12	\$2,755 11	\$1,970 04
Deductions:			
Uncollectible bills		\$110 25	\$64 15
Interest expenses	\$118 89		40 25
Miscellaneous		125 40	
Interest on funded debt	1,500 00	1,500 00	1,500 00
Interest on other debt		154 40	
Total deductions	\$1,618 89	\$1,890 05	\$1,604 40
Surplus for year from operations	245 23	865 06	365 64

On December 31, 1916, Hemet-San Jacinto Gas Company reported assets and liabilities to the Railroad Commission as follows:

<i>Assets.</i>	
Fixed capital	\$42,169 42
Cash and deposits	276 62
Accounts receivable	1,659 69
Materials and supplies	1,045 15
Discount on stock	38,753 62
Discount on bonds	525 00
Corporate deficit	4,818 46
Total assets	\$89,247 96

<i>Liabilities.</i>	
Capital stock	\$42,878 00
Funded debt	25,000 00
Notes payable	200 00
Consumers' deposits	2 00
Accounts payable	6,744 10
Interest accrued	3,180 00
Appreciation of fixed capital	7,036 00
Assessment	4,207 77
Total liabilities	\$89,247 96

In Exhibit No. 4, attached to this application, the reproduction cost new of the properties is reported at \$44,967.47. F. C. Millard, consulting engineer, testified that in his opinion the properties were in about a 90 per cent condition, which would give a reproduction cost less depreciation of \$40,470.23. Deducting from this the \$25,000.00 outstanding bonded indebtedness which will be assumed by the purchasing company, will leave an equity of \$15,470.00 for the stockholders.

In exchange for this equity, I believe Southwestern Gas Company should be permitted to issue \$15,470.00 par value of its capital stock. It was testified that when this stock is distributed amongst the stockholders of Hemet-San Jacinto Gas Company that it would be distributed on a pro rata basis.

The agreement of sale provides that the properties are to be transferred to the Southwestern Gas Company free of all encumbrances except the bonded debt of \$25,000.00. The testimony shows that the principal stockholders and the bondholders have agreed amongst themselves to pay all current indebtedness amounting to approximately \$10,500.00. It is a satisfaction to find the stockholders and bondholders of this utility cooperating in this manner to establish the credit of the utility.

I herewith submit the following form of order:

ORDER.

Hemet-San Jacinto Gas Company having applied to the Railroad Commission for authority to sell its properties described in Exhibit "I," attached hereto, to the Southwestern Gas Company, and Southwestern Gas Company having applied to the Railroad Commission for an order declaring that public convenience and necessity will require it to exercise the rights and privileges to be obtained under franchises to be acquired from the cities of Hemet and San Jacinto, Riverside County, and a public hearing having been held and it appearing to the commission that this application should be granted,

It is hereby ordered that Hemet-San Jacinto Gas Company be and it is hereby granted authority to transfer its properties described in Exhibit "I" attached hereto, subject to a bonded indebtedness of \$25,000.00, to Southwestern Gas Company in exchange for \$15,470.00 par value of capital stock, and that Southwestern Gas Company be permitted to acquire said properties.

It is hereby further ordered that the Railroad Commission will, upon application, upon such terms and conditions as to it seem proper, issue a certificate declaring that public convenience and necessity require the exercise by Southwestern Gas Company of the rights and privileges granted to it by the cities of Hemet and San Jacinto by franchises which have been applied for but not yet secured.

The authority hereby granted is granted subject to the following conditions, and not otherwise:

1. The price at which the properties hereby authorized to be sold shall not be binding upon this commission, or any other public body, as a measure of value for rate fixing, or any other purpose, except those comprehended in this order.

2. Before exercising any of the rights and privileges under franchises to be obtained from the cities of Hemet and San Jacinto, the Southwestern Gas Company shall file with this commission a copy of said franchises, and a stipulation duly authorized by its board of directors, declaring that Southwestern Gas Company, its successors and assigns, will never claim before the Railroad Commission, or any court or other public body, a value for said rights and privileges in excess of the actual cost to Southwestern Gas Company of acquiring said rights and privileges, which cost is to be set forth in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the Railroad Commission has been filed with the Railroad Commission.

3. The authority hereby granted to transfer the aforesaid properties shall apply only to such properties as shall be transferred on or before December 31, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of August, 1917.

EXHIBIT "I."

The properties which Hemet-San Jacinto Gas Company may sell pursuant to the authority granted by the foregoing opinion and order consist of the following:

1. One square acre in, and being the northwest corner of Lot 1, Block 138 of the 3,000 acre Francisco Estudillo Tract, according to that certain Map of said tract and the lands of the Hemet Land Company recorded in Book 1 of Maps, at page 14 thereof, Records of Riverside County, California; described by metes and bounds as follows:

Commencing at the intersection of the right of way of the Southern California Railway Company with the south line of Oakland Avenue, if extended: thence east along said south line 208.71 feet, and extending back southwardly between parallel lines 208.71 feet.

2. Lot 10 in Block 2 of "B. J. Inwall's Subdivision of Lots 2 and 3 in Block 24, San Jacinto" in the City of San Jacinto, County of Riverside, and State of California, according to the Map thereof, No. 107 on file in the office of the County Recorder of San Diego County, California.

Together with the certain personal property situated upon said real property first above described, that is, in paragraph 1 hereinbefore, (being said square acre), which said personal property is described as follows, to wit:

1 oil gas set, consisting of crude oil gas machine (western type), generator, superheater, wash box, two scrubbers, including seal pot, steam water, oil and gas

piping, complete; 1 crude oil gas machine (straight shot type), together with generator, including steam, water, oil and gas piping complete; 1-15 H. P. return tubular boiler with oil fittings, piping and appurtenances; 1-7½ H. P. vertical engine, including all fittings, piping and appurtenances; 2 Worthington oil pumps; 1 boiler water ejector, and 1 pitcher pumps, including all fittings, piping, shafting, bolting, pulleys, and all other appurtenances; 1 compressor, horizontal steam drive, including all fittings, piping, and appurtenances; 1 Sturtevant air blower, and 1 Sturtevant gas blower; 1 Union Oil meter (Horizontal dial), including piping and fittings; 1 coil water heater, including coil, installation and appurtenances and 1 water heater 7 ft. 12 in. o. d. pipe, together with all flanges, piping, fittings, fixtures and appurtenances; 1 coil tank heater in oil feed tank; Oxide floor for spreading purifier material; 1 galvanized iron drum oil tank, 50 gals.; 1 galvanized iron tank, 60 gals.; 1 galvanized iron tank, 400 gals.; 1 steel oil tank, 11,013 gals.; 2 gasoline "linefeed" tanks, including all piping and installation and appurtenances; 1 steel tank single lift gasometer, 10,000 cu. ft., together with all installation, piping and appurtenances; 2 sheet steel 2-tray purifying sets, including connections, installations, fittings, piping, and all appurtenances; carbon infiltration system, being one wood pit, with iron lift and chain block raising device; and 1 2-partition water pit, all complete, and with all installation, fixtures, piping and appurtenances; all foundations and floorings of whatever material, for machinery or otherwise; all tools of every character upon, about or used in connection with the above described machinery, or devices, or upon said premises; 28 feet galvanized iron pipe blast lines, with all valves and appurtenances.

Steam lines as follows: 20 ft. of ½ in. pipe, 52 ft. of ¾ in. pipe, 240 ft. of 1 in. pipe, 28 ft. of 1½ in. pipe, 50 ft. of 2 in. pipe, 100 ft. of 2 in. pipe, 24 ft. of ¾ in. pipe, 23 ft. of 1½ in. asbestos pipe covering, 30 ft. of 1 in. asbestos pipe covering, 8 ft. of ¾ in. asbestos pipe covering, 10 ft. of ½ in. asbestos pipe covering, with all fittings, installations and appurtenances, whatsoever; the following water lines: 50 ft. of ¾ in. pipe, 200 ft. of ¾ in. pipe, 50 ft. of 1 in. pipe, 122 ft. of 2 in. pipe, 121 ft. of 2 in. pipe, 18 ft. of 1½ in. pipe, including all fittings, fixtures, valves and appurtenances; the following oil lines: 32 ft. of ½ in. pipe, 50 ft. of ¾ in. pipe, 385 ft. of 2 in. pipe, 110 ft. of 2 in. pipe, 80 ft. of 3 in. o. d. casing, 32 ft. of 1 in. pipe, 20 ft. of 1 in. pipe, including all fittings, installation and appurtenances; the following gas lines: 52 ft. of ½ in. pipe, 111 ft. of ¾ in. pipe, 285 ft. of 2 in. pipe, 181 ft. of o. d. casing, with all fittings, installations and appurtenances; drains: 33 ft. redwood flume and 27 ft. concrete ditch; oil heater; 1 coil oil heater; 7 ft. 6 in. standard pipe, with 1 6 in. flange U, 1 6 in. plug and coupling, together with all piping, fixtures, fittings and appurtenances; 1 large oil lubricator, 5 ft. 6 in. standard pipe, together with all fittings, piping, fixtures, valves and appurtenances; 25 ft. 1 in. standard pipe feed line from water heater to boiler; on carbon infiltration system, 40 ft. 3 in. o. d. casing, 30 ft. 12 in. pine flume, and 1 cement pit; 50 gas meters; all tools, supplies, piping, valves, fittings, fixtures, implements, and all other personal property of whatsoever character, nature or use upon said premises.

Together also with all personal property situated upon said Lot 10 in the foregoing paragraph 2 hereof described, and which said personal property is described as follows, to wit:

1 steel tank single lift gasometer, capacity 10,000 cu. ft., together with installation, piping, fittings and appurtenances.

Together with other personal property described and situated as follows:

Gas mains placed and now existing under the streets, alleys, and ways of the City of Hemet, Riverside County, California, and being: 29,179 ft. of 2 in. standard black pipe; 2950 feet o. d. casing, 3 in., 600 ft. o. d. casing, 4 in.; 1,848 ft. o. d. casing, 6 in.; 12,400 ft. gas mains, located under the certain street, land and ways described as follows: Beginning on the one acre tract contained in the first description hereinbefore, and running thence on, along and under Oakland Avenue to Santa Fe Avenue, thence on Santa Fe Avenue to First Street, in the Town of San Jacinto, thence, easterly on First Street to Estudillo Street, and thence to the gas holder on

said Lot 10 in said Town of San Jacinto, being said real property secondly above described: gas mains situated in the Town of San Jacinto, other than above described, on, along and under streets, alleys, and ways therein, and being 18,300 ft. standard black pipe, 2 in. 1684 o. d. casing, 3 in.; service mains all connected with the above gas mains, and extending thence to the curb or property line of consumers of gas, and being 15,280 ft. of 1 in. standard black pipe, including 310 meters connected with said service piping and upon the premises of the consumers supplied thereby. Including all piping whether mains or service piping and meters connected therewith, together with all fittings and fixtures, not hereinbefore specially described, but which are attached to, or a part of said gas distribution system above described and referred to, whether herein specifically mentioned as additions thereto or extensions thereof, or whether in fact connected thereto and therewith, but not herein specially described; and including likewise all lamps of whatever character installed for use of customers of first party and connected to or with its said distribution system, whether hereinbefore specially described or otherwise.

Including the following personal property on the premises known as 107 Harvard Street in said City of Hemet, California, the same being the office as well as the storehouse for supplies of first party: and being all of the office furniture, supplies and fixtures in said building devoted to office use, together with all other supplies therein, being fittings, fixtures and parts for repairs, or extensions of said gas mains, service piping, meters and other parts of said gas distribution system, and all tools, equipment, devices, and appliances upon or about said square acre, said Lot 10, or said 107 Harvard Street, or elsewhere; together also with 1 Maxwell 2 cylinder small truck, and 1-400 gallon oil tank wagon. Including in this conveyance and transfer to second party, (Southwestern Gas Company) all personal property of whatsoever character, and wherever situated, belonging to first party, (Hemet-San Jacinto Gas Company) together with all franchises and franchise rights.

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any wise appertaining with the remainders and reversions appurtenant thereto.

DECISION No. 4506.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN GAS COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE STOCKS AND BONDS.

Application No. 2940.

Decided August 1, 1917.

Applicant granted permission to issue \$15,470.00 par value of common stock, execute a trust deed and issue thereunder \$30,000.00 face value of 6 per cent 30-year bonds, stock to be issued to Hemet-San Jacinto Gas Company in part payment for gas properties, \$25,000.00 face value of bonds to be issued in exchange for bonds of the Hemet company, the balance to be sold at not less than 90, proceeds for additions and betterments to plant.

W. C. Petchner, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

In this amended application, Southwestern Gas Company asks authority to issue such an amount of its capital stock in exchange for properties of Hemet-San Jacinto Gas Company as may represent the

difference between the reasonable value of the properties and a \$25,000.00 bonded indebtedness. The company also asks authority to execute a trust deed in substantially the same form as Exhibit III, attached to the application, to Title Insurance and Trust Company to secure the payment of \$50,000.00 face value of first mortgage 6 per cent 30-year bonds, and to issue at this time bonds in the amount of \$30,000.00, of which \$25,000.00 will be used to retire a like amount of bonds of Hemet-San Jacinto Gas Company and \$5,000.00 for additions and betterments.

Southwestern Gas Company was organized in April, 1917, with an authorized stock issue of \$75,000.00, divided into 75,000 shares of the par value of \$1.00 each, for the purpose of acquiring and operating the properties of Hemet-San Jacinto Gas Company. The sale of these properties and the advisability of issuing \$15,470.00 par value of stock in payment therefor is considered in the decision relating to Application No. 2939.

Applicant asks authority to issue \$30,000.00 face value of its first mortgage 6 per cent 30-year bonds. Of this amount, applicant desires to use \$25,000.00 to refund the outstanding bonds of the Hemet-San Jacinto Gas Company and sell \$5,000.00 at not less than 90 per cent of their face value. Of the proceeds, \$3,500.00 will be used for the payment of the following extensions and betterments:

8,000 feet of 2" standard pipe at 20 cents-----	\$1,600 00
Ditching and laying pipe at 5 cents per foot; this price is possible, as no hardpan soil will be encountered, the same being sandy loam, and the grading and laying of pipe will be done by employees already under salary -----	400 00
Meters and connections: 40 iron-case meters at \$7.50 each-----	300 00
Incidentals, 10 per cent-----	230 00
35 new meters to, about-----	245 00
Pipe and appliances which applicant can not now state in detail, but which is estimated to amount to, about-----	255 00
Additions at generating plant, consisting of second-hand boiler, No. 5, blower complete, and including the installation of a 40-horsepower boiler that can be secured, guaranteed, for \$140.00 f. o. b. Hemet--	500 00
Total -----	\$3,500 00

The applicant proposes to deliver to Lucy Webber \$1,000.00 of the proceeds of the bonds in settlement of a claim of \$1,500.00 representing funds advanced by her to the old company and used by it for additions and betterments. Upon the settlement of this claim, Lucy Webber will deliver to the company \$1,000.00 in cash to be used for working capital.

The proposed trust deed, a copy of which is attached to the application herein and marked Exhibit "III," authorizes the company to issue bonds in the amount of \$50,000.00. The bonds constitute a first mortgage upon all of the property of the company now owned or hereafter acquired. They bear interest at the rate of 6 per cent per annum and are payable May 1, 1947. The bonds are to be issued in denominations

of \$500.00 each. The proposed trust deed provides that the company may issue forthwith bonds in the amount of \$30,000.00, and further provides that the remaining \$20,000.00 of bonds shall be issued only pursuant to an order of the Railroad Commission. The bonds may be redeemed upon any interest payment date at not more than 103. The sinking fund provision provides for the retirement of bonds in the amount of \$47,000.00.

Claude C. Webber, secretary and general manager of the Hemet-San Jacinto Gas Company, testified that in his opinion the earnings of the Southwestern Gas Company, after the installation of the proposed improvements, would be ample to take care of the bond interest and of depreciation.

I herewith submit the following form of order:

ORDER.

Southwestern Gas Company having applied to this commission for an order authorizing it to issue capital stock and \$30,000.00 face value of its first mortgage 6 per cent 30-year bonds, and to execute a mortgage in substantially the same form as the mortgage attached to the application and marked Exhibit "III," and a public hearing having been held and it appearing to the commission that the moneys, property or labor to be procured or paid for by such issue are reasonably required for the purpose or purposes specified in the order, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southwestern Gas Company be and it is hereby granted authority to issue \$15,470.00 par value of common capital stock.

It is hereby further ordered that Southwestern Gas Company be and it is hereby granted authority to execute a trust deed to Title Insurance and Trust Company in substantially the same form as the trust deed attached to this application and marked Exhibit "III."

It is hereby further ordered that Southwestern Gas Company be and it is hereby granted authority to issue \$30,000.00 of its first mortgage 6 per cent 30-year bonds.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The stock hereby authorized to be issued shall be delivered to Hemet-San Jacinto Gas Company in payment for its property subject to a bonded indebtedness of \$25,000.00.
2. Bonds in the amount of \$25,000.00 hereby authorized to be issued shall be issued by applicant at par and used to refund a like amount of Hemet-San Jacinto Gas Company.

3. Bonds in the amount of \$5,000.00 hereby authorized to be issued shall be sold by applicant for cash at not less than 90 per cent of their face value plus accrued interest and the proceeds used for the following purposes:

(a) Three thousand five hundred dollars to pay for extensions, additions and betterments set forth in the foregoing opinion;

(b) One thousand dollars to be delivered to Lucy Webber in settlement of a \$1,500.00 claim, said Lucy Webber to deliver in exchange \$1,000.00 to the Southwestern Gas Company to be used by it for working capital.

4. The approval herein given of said trust deed is for the purpose of this proceeding only, and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

5. Southwestern Gas Company shall keep a separate, true and accurate account showing the receipt and application in detail of the proceeds of the sale of the stocks and bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified report to the commission, stating the sale or sales of said stocks and bonds during the preceding month, the moneys realized therefrom and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority hereby granted to issue bonds is conditioned upon the payment by Southwestern Gas Company of the fee prescribed by the Public Utilities Act.

7. The authority hereby granted to issue stocks and bonds shall apply only to such stocks and bonds which shall have been issued on or before December 31, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4507.

IN THE MATTER OF THE APPLICATION OF FARMERS' TRANSPORTATION COMPANY FOR PERMISSION TO INCREASE RATES.

Application No. 2932.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO TRANSPORTATION COMPANY FOR PERMISSION TO INCREASE RATES.

Application No. 2933.

Decided August 1, 1917.

Evidence tending to show that applicants are at present suffering a considerable loss in the operation of their boats on the Sacramento River, increased schedule of rates established covering the transportation of grain, beans, potatoes and live stock, such rates to become effective immediately pending final decision on applications as a whole.

BY THE COMMISSION.

OPINION.

Petitioners in this proceeding are steamer lines operating on the Sacramento River between San Francisco and Sacramento, also on the upper Sacramento River above Sacramento, who ask permission under section 63 of the Public Utilities Act to increase certain freight rates.

Being of similar character these applications were consolidated and heard at the same time.

Application No. 2932 of the Farmers' Transportation Company seeks authority to make following increases:

Class rates between San Francisco and Sacramento (in cents per 100 pounds).

	1	2	3	4	5	A	B	C	D	E
Proposed	20½	18	14½	12½	10	10	9	8	7½	7½
Present	16	14	12	10	8	8	7½	6½	6½	6½
Increase	4½	4	2½	2½	2	2	1½	1½	1½	1½

Grain, any quantity (rates in cents per 100 pounds).

From —	To —	Sacramento			Port Costa, South Vallejo			San Francisco		
		Present	Proposed	Increase	Present	Proposed	Increase	Present	Proposed	Increase
Points above Sacramento to and including Fremont.....		6½	10	3½	7½	11½	3½	8½	12½	3½
Points above Fremont to and including Colusa.....		7½	10	2½	8½	11½	2½	10	12½	2½

Beans and Potatoes, any quantity.

From—	To—	Sacramento			San Francisco		
		Present	Proposed	Increase	Present	Proposed	Increase
All points above Sacramento, to and including Colusa-----		10	12½	2½	12½	15	2½

Live Stock, any Quantity.

Rates per head, from Colusa to—

Kind of stock	Sacramento			San Francisco		
	Present	Proposed	Increase	Present	Proposed	Increase
Hogs -----	\$0 50	\$0 65	\$0 15	\$0 50	\$0 75	\$0 25
Sheep -----	25	35	10	25	40	15
Calves (under 200 pounds)-----	75	90	15	75	1 00	25
Calves (200 pounds and over)-----	1 00	1 15	15	1 00	1 25	25

Dried Fruit in Lots of Less than 20,000 pounds (rates in cents per 100 pounds).

From—	To—	Sacramento			San Francisco		
		Present	Proposed	Increase	Present	Proposed	Increase
Knights Landing -----		12½	14	1½	15	17	2
Colusa -----		15	22	7	20	27	7

In addition to the foregoing applicant requests authority to make a general increase of 15 per cent in the class and commodity rates contained in the following tariffs:

Freight Tariff No. 1 (C. R. C. No. 1), naming class and commodity rates between San Francisco, Sacramento and Colusa and intermediate points.

Grain Tariff No. 2-A (C. R. C. No. 11), naming rates on grain, grain products and seeds between San Francisco, Oakland, Port Costa, South Vallejo and Sacramento on the one hand, and on the other, Colusa and intermediate points.

Cement Tariff No. 3-A (C. R. C. No. 8), naming rates on cement from San Francisco, South Vallejo, Port Costa and Sacramento to Knights Landing, Colusa and intermediate points.

Local Freight Tariff No. 5 (C. R. C. No. 6), naming class and commodity rates between San Francisco and Sacramento.

Application No. 2933 of the Sacramento Transportation Company seeks the following increases:

Grain, any Quantity (rates in cents per 100 pounds).

From -	To— Sacramento			Port Costa and South Vallejo			San Francisco		
	Present	Proposed	Increase	Present	Proposed	Increase	Present	Proposed	Increase
Points above Sacramento to and including Colusa	7½	10	2½	8½	11½	2½	10	12½	2½
Points above Colusa to and including Butte City and Jones Landing	10	12½	2½	11½	13½	2	12½	15	2½
Points above Jones Landing to and including Jacinto	11½	13½	2	12½	15	2½	13½	16½	2½
Points above Jacinto	12½	15	2½	13½	16½	2½	15	17½	2½

Beans and Potatoes, any Quantity (rates in cents per 100 pounds).

From—	To— Sacramento			San Francisco		
	Present	Proposed	Increase	Present	Proposed	Increase
Points above Sacramento to and including Colusa	10	12½	2½	12½	15	2½
Points above Colusa to and including Monroeville	12½	15	2½	15	17½	2½

Live Stock, any Quantity.

Rates per head, from Colusa to—

Kind of stock	Sacramento			San Francisco		
	Present	Proposed	Increase	Present	Proposed	Increase
Hogs	\$0 50	\$0 65	\$0 15	\$0 50	\$0 75	\$0 25
Sheep	25	35	10	25	40	15
Calves (under 200 pounds)	75	90	15	75	1 00	25
Calves (200 pounds and over)	1 00	1 15	15	1 00	1 25	25

Permission is also asked to cancel commodity rates between San Francisco and Sacramento applicable to quantities of less than 20,000 pounds, allowing class rates governed by Western Classification to apply thereafter.

In addition to the aforementioned changes applicant requests authority to make a general increase of 15 per cent in class and commodity rates carried in following tariffs:

Local Freight Tariff No. 1 (C. R. C. No. 1), naming class and commodity rates between San Francisco, Sacramento and points above Sacramento to and including Monroeville.

Local Freight Tariff No. 10 (C. R. C. No. 11), naming class and commodity rates between San Francisco and Sacramento and intermediate points.

Grain Tariff No. 2 (C. R. C. No. 2), naming rates on grain, grain products and seeds, between San Francisco, Oakland, Port Costa, South Vallejo and Sacramento on the one hand and on the other, landings on the Sacramento River above Sacramento.

Cement Tariff No. 3-B (C. R. C. No. 17), naming rates on cement from San Francisco, Port Costa, South Vallejo and Sacramento to points on the Sacramento River.

Local Freight Tariff Nos. 4 to 9, inclusive (C. R. C. Nos. 5 to 10, inclusive), naming commodity rates between San Francisco, Sacramento and Chico Landing, also between intermediate landings.

Exhibits were filed on behalf of the steamer lines, consisting of statements of operating revenue and expenses, for the calendar year 1916, with estimated figures for 1917.

The exhibit of the Sacramento Transportation Company shows an actual operating deficit for the year 1916 of \$25,568.18, to which is added an amount for reserve for depreciation and marine insurance, also return on investment, thereby establishing a total deficit of \$141,239.55 for the year 1916 and estimated total deficit of \$127,771.29 for 1917. Latter figure is obtained by increasing the operating revenue for 1916 by \$60,365.33 which is the estimated grain under proposed increases, based on the tonnage handled during previous year, and adding approximately \$47,000.00 to the operating expense for 1916 account estimated additional costs of labor, supplies, repairs, etc., thus creating an operating deficit of \$12,099.92 for 1917 as against \$25,568.18 for 1916.

To this \$12,099.92 has been added the same amount for depreciation, marine insurance and return on investment as for 1916, viz: \$115,671.37, thereby establishing a total deficit for 1917 of \$127,771.29.

Exhibit of the Farmers' Transportation Company shows actual operating deficit of \$8,341.22 and total deficit of \$30,200.65 for the calendar year 1916, with estimated total deficit of \$20,807.65 for 1917. This estimated figure is arrived at in a manner similar to that of the Sacramento Transportation Company by adding to the operating revenue for 1916 (\$95,737.99) an amount based on the estimated increase under proposed rate advances, or \$14,359.69, making an estimated operating earning of \$110,097.68 for the year 1917.

To this figure is applied the estimated operating expenses for 1917 of \$108,627.29, leaving a net operating revenue of \$1,470.39 as against operating deficit of \$8,341.22 for 1916.

After adding an amount of \$22,278.04 to cover reserve for marine and compensation insurance and return on investment, a total estimated deficit of \$20,807.65 is established for 1917 against \$30,200.65 for 1916.

A brief history of the operations and character of service performed by these carriers will be of interest at this time.

The Sacramento Transportation Company and its predecessors have been in continuous operation on the Sacramento River for 55 years, at times running as far north as Red Bluff. At present the upper river terminal is Chico Landing, approximately 273 miles from San Francisco. This company operates only as a freight carrier, no passenger business whatever being transacted. Freight is transported entirely on barges towed by a steamer.

A semiweekly service is maintained between San Francisco and Sacramento, one boat leaving San Francisco for the round trip on Wednesdays with local freight for Sacramento only; another leaving San Francisco on Saturdays conveying local freight for Sacramento and through freight for points on the upper river.

On account of shoal water and the irregular course of the river above Sacramento, the steamers operating south of that point do not proceed beyond. Service above Sacramento is accomplished by means of light draught boats which tow the barges singly.

No regular schedule is maintained north of Sacramento, but frequent sailings are made to accommodate local traffic and northbound through freight and to assemble at Sacramento southbound freight for transportation to ultimate destination on the regular semiweekly trips. This company maintains a fleet of eight steamers and twenty-three barges, a portion of which is operated continuously throughout the year, while the entire floating equipment is placed in service during the summer months to transport the heavy movement of produce.

The Farmers' Transportation Company was organized in 1901 and has operated constantly since that time. No passengers are carried, its energies being directed entirely to the transportation of freight.

Mr. L. Miller, secretary, testified that the major portion of this company's stock is owned by his father and uncle, who are engaged in farming; that the other stockholders of the company are extensively engaged in the same occupation; in short, that the company was organized primarily for the purpose of moving farm products of its stockholders, owing to the inability of the Sacramento Transportation Company to render adequate service during the grain season. Mr. Miller further testified that in order to lessen the cost of operation, it was necessary to enter into a general transportation business.

This company operates in a different manner from the Sacramento Transportation Company in that it does not make use of a barge service but owns two packet steamers, one of which makes a round trip weekly from San Francisco to Colusa, approximately 217 miles distant. The other is placed in the upper river service practically eight months in the year hauling grain and produce to Sacramento.

Outside of competition with each other, petitioners do not meet with substantial opposition on the upper river. Between San Francisco

and Sacramento proper, however (but not at intermediate points), they compete with the Southern Pacific Company, California Transportation Company and many irregular nonscheduled boats and barges of every description.

The exhibits filed at the beginning of the hearing showing the operating revenue and expenditures of the companies were supplemented by oral testimony tending to show increased costs and difficulties of operation.

Mr. Dwyer, secretary of the Sacramento Transportation Company, testified that their contract for oil will expire January 1, 1918, and that based on present market prices which are substantially 100 per cent higher than under existing contract, the annual increase will amount to more than \$30,000.00; also that rope, which is used in large quantities, has nearly doubled in value since last year and practically all other steamer supplies and equipment had increased at least 50 per cent. Further statement was made that under a most conservative estimate the cost of repairs had increased 25 per cent; that their ordinary repairs amount to between \$40,000.00 and \$50,000.00 yearly; also that labor, which represents a heavy item of expense, would be increased approximately 14 per cent.

From testimony submitted through the same source it was shown that no dividends had been declared for the last twelve years, nor had the company ever been able to set aside a fund for renewal of equipment, but that to the contrary \$160,000.00 had been borrowed for that purpose. Evidence of similar nature was presented by Mr. Miller on behalf of the Farmers' Transportation Company, showing among other things that with the expiration of their oil contract on March 1, 1918, an annual increase of \$14,000.00 would be brought about on basis of present prices; that they had never been able to carry compensation or marine insurance; that the cost of repairs are very heavy, owing to frequent overhauls consequent upon the boats coming in contact with obstructions and sandbars in the river above Sacramento. Other testimony was submitted along the same lines, but we believe the above is sufficiently illustrative of applicant's position.

From a careful study of the evidence and exhibits submitted at the hearing it is apparent that carriers are confronted with a situation requiring some immediate relief, although at this time we do not feel justified upon the showing made in granting these applications in their entirety.

It has been shown that the traffic and operating conditions on the upper river are widely different from those prevailing on the river below Sacramento. In the latter instance there is much competition. We find two carriers making two trips daily; another line operating

semiweekly and another running one boat per week; also a number of tramp vessels or those maintaining no fixed route or schedule, which suggests possibly an unnecessary duplication of service.

But this is not so with respect to upper river territory which is practically dependent for through service on a semiweekly schedule on the part of one line and a weekly service on the other. The bulk of business moving from this district consists of grain and produce and a heavy portion of the expense of operation is chargeable to this traffic which, as before stated, requires the full use of carriers' equipment. The grain season is now well advanced and any increase allowed in rates on this freight will be immediately reflected in net operating earnings.

Usual notice of the hearing in this proceeding was given to the general public through press notices and direct by mail to individuals and to the different chambers of commerce. The representatives of shippers who attended the hearings acquiesced in the increases proposed in rates on grain, beans, potatoes and live stock from points north of Sacramento and there were no protests against the increases from any source.

Specific increases are requested in rates on grain, beans, potatoes and live stock, as set forth below:

Grain, any Quantity (rates in cents per 100 pounds).

Via	From—	To—	Sacra- mento	Port Costa, South Vallejo	San Francisco
Sacramento Transporta- tion Company.	Points above Sacramento to and including Colusa		10	11½	12½
	Points above Colusa to and including Butte City and Jones Landing		12½	13½	15
	Points above Jones Landing to and including Jacinto		13½	15	16½
	Points above Jacinto		15	16½	17½
Farmers' Transporta- tion Company.	Points above Sacramento to and including Fremont		10	11½	12½
	Points above Fremont to and including Colusa		10	11½	12½

Beans and Potatoes, any Quantity (rates in cents per 100 pounds).

Via	From—	To—	Sacra- mento	San Francisco
Sacramento Transporta- tion Company.	Points above Sacramento to and including Colusa		12½	15
	Points above Colusa to and includ- ing Monroeville		15	17½
Farmers' Transportation Company.	Points above Sacramento to and including Colusa		12½	15

Live Stock, any Quantity (rates per head).

Via	Kind of stock	From Colusa to	
		Sacra- mento	San Francisco
Sacramento Transporta- tion Company.	Hogs -----	\$0 65	\$0 75
	Sheep -----	35	40
Farmers' Transportation Company.	Calves (under 200 pounds)-----	90	1 00
	Calves (200 pounds and over)-----	1 15	1 25

After careful consideration we are of the opinion that the present rates on these commodities under existing conditions are not sufficiently remunerative and that an emergency exists sufficient to justify the granting of increased rates thereon pending final decision on the applications as a whole.

The following form of order will be entered:

ORDER.

The Farmers' Transportation Company and the Sacramento Transportation Company having applied under section 63 of the Public Utilities Act for authority to increase certain freight rates, as shown in the opinion preceding this order, and a public hearing having been held and the commission being apprised in the premises,

It is hereby ordered that pending final decision on these applications as a whole, and without prejudice thereto, in view of the urgent need of temporary relief, the following rates be established in lieu of those now applying between same points:

Grain, any Quantity (rates in cents per 100 pounds).

Via	From—	To—	Sacra- mento	Port Costa, South Vallejo	San Francisco
Sacramento Transporta- tion Company.	Points above Sacramento to and including Colusa-----		10	11½	12½
	Points above Colusa to and including Butte City and Jones Landing -----		12½	13½	15
	Points above Jones Landing to and including Jacinto-----		13½	15	16½
	Points above Jacinto-----		15	16½	17½
Farmers' Transportation Company.	Points above Sacramento to and including Fremont-----		10	11½	12½
	Points above Fremont to and including Colusa-----		10	11½	12½

Beans and Potatoes, any Quantity (rates in cents per 100 pounds).

Via	From—	To —	Sacra- mento	San Francisco
Sacramento Transporta- tion Company.	Points above Sacramento to and including Colusa		12½	15
	Points above Colusa to and includ- ing Monroeville		15	17½
Farmers' Transportation Company.	Points above Sacramento to and including Colusa		12½	15

Live Stock, any Quantity (rates per head).

	Kind of stock	From Colusa to	
		Sacra- mento	San Francisco
Sacramento Transporta- Company.	Hogs	\$0 65	\$0 75
	Sheep	35	40
Farmers' Transportation Company.	Calves (under 200 pounds)	90	1 00
	Calves (200 pounds and over)	1 15	1 25

Dated at San Francisco, California, this first day of August, 1917.

DECISION No. 4508.

**IN THE MATTER OF THE APPLICATION OF FARMERS' ALLIANCE
BUSINESS ASSOCIATION FOR AN ORDER AUTHORIZING ISSUE OF
ADDITIONAL COMMON STOCK OF THE PAR VALUE OF TWO
THOUSAND FIVE HUNDRED TWENTY DOLLARS.**

Application No. 3017.

Decided August 2, 1917.

Applicant authorized to issue 252 shares of stock of the par value of \$10.00 per share, such stock to be issued in lieu of stock heretofore issued without authorization of the commission, proceeds of which were used in the construction of additions to applicant's warehouse properties.

C. D. MacFarland, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was held by Examiner Westover upon above application to issue \$2,520.00 par value capital stock of applicant in lieu of an equal amount of stock heretofore issued without authority.

Applicant was incorporated in June, 1891, with a capital stock of \$20,000.00 divided into 2,000 shares of the par value of \$10.00 each, of which 1,264 shares were issued and outstanding prior to the issue of certificates for 252 shares without authority of the commission.

Applicant's business consists of operating a warehouse at Paso Robles, San Luis Obispo County, buying and selling grain, grain bags and supplies used by ranchers. Its warehouse, which it carries on its books at \$14,087.56, it estimates has a present reproduction value of about \$21,000.00. Its balance sheet as of December 31, 1916, shows assets of \$33,372.79, liabilities of \$29,252.60, including the \$2,520.00 par value of stock illegally issued, beside a surplus of \$4,120.19.

Applicant has conducted a profitable business for a number of years and has built several extensions to its warehouse, each addition being paid for out of earnings of the business and stock dividend issued to the stockholders in proportion to their holdings to cover the actual cost of additions, fractions of shares being adjusted in cash. Following the same course of procedure as that employed on other occasions when stock dividends were declared, applicant issued the 252 shares of stock on account of the cost of the last addition which was slightly in excess of \$2,520.00. The stock was issued without taking legal advice and in ignorance of the legal requirement that the stock should be authorized by the commission. Since the stock was issued some of the shares have been sold and transferred on the books of the company.

ORDER.

Farmers' Alliance Business Association having applied to the Railroad Commission for an order validating an issue of 252 shares of its capital stock heretofore issued without authority, and a public hearing having been held thereon, and the commission being of the opinion that the money, property or labor procured or paid for by the unauthorized issue of said stock was reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Farmers' Alliance Business Association be and it is hereby authorized and empowered to issue 252 shares of its capital stock of the par value of \$10.00 each upon the surrender and cancellation of certificates for an equal number of its shares heretofore issued without the authority of the commission, said unauthorized shares having been originally issued for the purpose of paying for an addition to applicant's warehouse.

This authority is upon the following conditions:

1. Nothing herein contained shall be construed as a finding by the commission of the value of the property of applicant for any purposes other than those of the present application.

2. The authority hereby granted shall extend only to such stock as may be issued within sixty days from date hereof.

3. On or before the twenty-fifth day of each month applicant shall make verified reports in writing to the commission of the stock issued hereunder, the date of issue, to whom issued, the number of certificates and the number of shares, all as required by General Order No. 24, which in so far as applicable is made a part of this order.

Dated at San Francisco, California, this second day of August, 1917.

DECISION No. 4509.

ED HOY ET AL.

vs.

KENNETT WATER COMPANY.

Case No. 1039.

Decided August 2, 1917.

J. E. McGinnis, for Complainants.

S. N. Stone, for Defendant.

BY THE COMMISSION.

OPINION.

The complaint prays that the defendant be required to install water meters in the business houses of Kennett, Shasta County, and that water be furnished at meter rates similar to those established for service of water in Redding.

A public hearing was conducted by Examiner Westover at Kennett. It appears from the testimony that defendant has a great abundance of water and that the principal objection to the present rate is an inequality of burden as between the consumers. As a result of a conference at the hearing between the parties, suggested by the examiner, the parties stipulated that if defendant would file a schedule of flat rates more equitably adjusted as between consumers, the schedules to be satisfactory to the commission, the case might be dismissed.

Defendant has filed a schedule of flat rates which appear to the commission as equitable as between consumers as flat rates are likely to be, and in accordance with stipulation the case will be dismissed.

ORDER.

A public hearing having been held in the above case and as a result the parties having stipulated for dismissal upon a filing of a revised

schedule of flat rates satisfactory to the commission, and such schedule having been filed,

It is hereby ordered that the above case be and it is hereby dismissed.

Dated at San Francisco, California, this second day of August, 1917.

Decisions Nos. 4510, 4511, 4512 and 4513, grade crossings; not printed. See end of volume.

DECISION No. 4514.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA SOUTHERN RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCKS AND BONDS.

Application No. 1790.

Decided August 6, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Whereas on December 16, 1916, California Southern Railroad Company filed in the above-entitled matter its supplemental application asking authority to sell its so-called uncollected bonus subscription to Blythe Construction Company for \$35,000.00; and

Whereas California Southern Railway Company on June 16, 1917, filed with the commission a request that said supplemental application, dated December 16, 1916, be dismissed,

It is hereby ordered that the supplemental application of California Southern Railroad Company for authority to sell to Blythe Construction Company for \$35,000.00 its so-called uncollected bonus subscription be and the same its hereby dismissed.

Dated at San Francisco, California, this sixth day of August, 1917.

DECISION No. 4515.

IN THE MATTER OF THE APPLICATION OF THE TOWN OF DUNSMUIR FOR PERMISSION TO ESTABLISH A GRADE CROSSING.

Application No. 2643.

Decided August 6, 1917.

Permission granted for the construction of a crossing at grade over the tracks of Southern Pacific Company in the town of Dunsmuir, provided an extremely

dangerous crossing approximately 700 feet north of the proposed crossing is legally closed to traffic.

F. M. Walker, for Applicant.

Geo. D. Squires, for Southern Pacific Company.

C. O. Clark, for H. Scherrer, Protestant.

GORDON, *Commissioner*.

OPINION.

In this application the town of Dunsmuir seeks permission to establish a grade crossing at a point east of Edlyth street over the tracks of Southern Pacific Company. It was the original intention of the city to secure the opening of this proposed crossing and to abandon an existing crossing about 700 feet north. A protest, however, was received against closing the existing crossing and the application as finally presented to the commission asked only for the opening of the new crossing. The application states that the town desires the opening of the new crossing for the reason that the present grade crossing is dangerous and is a menace to the public safety, and applicant believes that if the new crossing is established it will be used by the general public in preference to the present crossing with a consequent increase in the general safety of the crossing situation in the town.

On the east side of the track between the crossing now in existence and that proposed there are several houses and barns owned by Mr. Scherrer, the protestant, whose protest, however, extends only to the existing crossing and not to the opening of a new one. If the present crossing were closed Mr. Scherrer's tenants would be obliged to make a detour of several hundred feet going to and from the town.

It is clear to me that two crossings are not needed over the railroad in this vicinity as close together as the proposed crossing and the existing crossing, and of the two there is no doubt as to which is the safer; the present crossing is on a sharp curve where the views in two directions are badly obscured, while the proposed crossing is on a straight track and is located in such a manner that good views can be obtained by drivers of vehicles when approaching from either direction.

I agree with applicant that possibly the establishment of a new crossing without closing the old would add to the safety of those who use those crossings, but in my opinion the existing crossing is so exceedingly dangerous that it should be abandoned, and the convenience of the few people who live between the two crossings on the east side of the track is certainly not great enough to permit the continuation of this hazard. Several schemes have been proposed whereby the importance of both of these crossings can be minimized, but the details have

not yet been worked out. For that reason I am now unwilling to recommend an order in this matter reaching further than the crossing proposed and the one now in existence. I believe that the officials of the town of Dunsmuir will agree with me that at this time the present crossing should be closed and the new crossing established so that conditions can be made as safe as possible until the whole situation has been developed.

I recommend the following form of order:

ORDER.

Town of Dunsmuir having applied to the commission for permission to construct a crossing at grade east of Edyth street, as shown by the map attached to the application, and a public hearing having been held, and it appearing to the commission that this application should be granted subject to certain conditions,

It is hereby ordered that permission be and the same is hereby granted to the town of Dunsmuir to construct its proposed crossing over the tracks of Southern Pacific, in the manner prescribed in the application and shown on the map attached to same, subject to the following conditions:

(1) The existing grade crossing approximately 700 feet north of the proposed crossing shall be legally closed and abandoned as a public highway crossing.

(2) The entire expense of constructing this crossing, together with the cost of its maintenance thereafter, shall be borne by applicant, except for the expense of maintaining the crossing between the rails and to a distance of two (2) feet outside thereof which shall be borne by Southern Pacific Company.

(3) The crossing shall be constructed of a width not less than twenty (20) feet, with grades of approach not exceeding four (4) per cent; shall be protected by a suitable crossing sign and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(4) The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as it may seem right and proper, and to revoke its permission if, in its judgment, public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of August, 1917.

DECISION No. 4516.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SALT LAKE RAILROAD COMPANY TO CONSTRUCT ITS LINE OF RAILROAD ACROSS TWENTY-FIVE STREETS AND PUBLIC HIGHWAYS AND THE TRACKS OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND THE PACIFIC ELECTRIC RAILWAY COMPANY IN THE CONSTRUCTION OF ITS PROPOSED BRANCH LINE TO FULLERTON.

Application No. 2987.

Decided August 6, 1917.

Applicant, in connection with its proposed branch line to Fullerton, is authorized to construct, over, under and at grade, its line of railroad across twenty-five streets and roads and the tracks of Pacific Electric Railway and Santa Fe Railway Co., provided that fifteen automatic flagmen be installed at crossings designated by the commission, two crossing gates be installed and operated, and an interlocking plant be installed where tracks cross those of Pacific Electric Railway, also where crossings are not at grade, clearances conform to specifications provided by General Order No. 26.

A. S. Halsted, for Los Angeles and Salt Lake Railroad Company.

Frank Karr and *R. C. Gortner*, for Pacific Electric Railway Company.

E. J. Marks, city attorney, for city of Fullerton.

W. W. Patch, division engineer, for State Highway Commission.

GORDON, Commissioner.

OPINION.

In this application the Los Angeles and Salt Lake Railroad Company asks permission to cross twenty-eight streets and highways in Los Angeles County, Orange County and the city of Fullerton, as well as one spur track and two main line tracks of the Pacific Electric Railway Company and the main line track of the Atchison, Topeka and Santa Fe; one of the highway crossings is the state highway. These crossings are required by the railroad company in the construction of its new line from Whittier to Fullerton, a distance of about fourteen miles, for which the railroad company has secured about 75 per cent of the right of way, and with the construction of which it is ready to proceed at once. All of the several interested parties, that is, the two railroad companies, the boards of supervisors of Los Angeles and Orange counties, the board of trustees of Fullerton, and the State Highway Commission, were notified of the hearing, which was held in this application on July 18.

Some of the streets and railroads are to be crossed at grade and others at separated grades. No protest was received against granting

the application, against the particular manner in which the crossings were to be made or against the protection to be afforded the grade crossings. The applicant has received a franchise from the city of Fullerton for the streets to be crossed in that city, and it has either entered into agreements with the railroad companies for the railroad crossings, or has its negotiations so far under way that a decision need not be delayed pending the final steps.

It seems to me to be unnecessary to discuss each of these many crossings in this opinion. The railroad company has made every effort to avoid grade crossings wherever possible and has indicated its willingness to protect amply the crossings to be made at grade, although its plans, as they were presented at the hearing, left much to be desired along this line. From my personal inspection of these crossings, made in connection with our engineering department, I am convinced that the application should be granted; but I believe that on a line of this character where some \$35,000.00 per mile is being expended for right of way and the country is devoted to intensive fruit culture, with trees obstructing the intersection of the track with the highways, the comparatively slight cost of automatic flagmen more than justifies their installation at crossings where the views are not entirely open. I shall consequently recommend this protection at several crossings which the railroad company did not propose to so protect, and in the following order, which I recommend, all the protection which the railroad company proposed to afford for the railroad as well as the highway crossings will be ordered, together with additional protection at points where it appears to be needed. Three of the crossings applied for, an unnamed road at engineer's station 181 plus 03.2, Walnut avenue and Hazel avenue, are not open and permission to cross these highways will be withheld, as well as permission to cross a public road at engineer's station 267 plus 17.7, and the Bethel road, where a slight road change will eliminate the need of public crossings.

ORDER.

Los Angeles and Salt Lake Railroad Company having applied to the commission for permission to construct its line of railroad over, beneath and at grade across certain lines of railroads, public roads, streets and state highways in Los Angeles and Orange counties and the city of Fullerton and a hearing having been held, and it appearing to the commission that this application should be granted subject to certain conditions,

It is hereby ordered that permission be and the same is hereby granted Los Angeles and Salt Lake Railroad Company to construct its tracks at grade across the following public streets and highways, at the points

and in the manner shown on the maps attached to this application, subject to the conditions to be hereinafter mentioned, and not otherwise:

Greenleaf road, Painter road, Barton avenue, Walnut avenue, Gunn road, Colima road, Cole road, Scott avenue and Leffingwell road; all in Los Angeles County.

Des Moines road, Leuhm road, Hiatt street, Main street, Aldrich avenue, Cypress street, Fullerton road (which is a state highway), and an unnamed road at engineer's station 566 plus 35; all in Orange County.

South Nicholas avenue, South Highland and South Spadra road; all in the city of Fullerton.

The above grade crossings to be constructed subject to the following conditions:

(1) The entire expense of constructing these crossings, together with the cost of their maintenance thereafter in good and first-class condition for the safe and convenient use of the public shall be borne by applicant.

(2) All crossings shall be constructed of a width and type of construction to conform to those portions of the public highways to be crossed now graded, with grades of approach not exceeding six (6) per cent; shall, unless otherwise protected, be protected by a suitable crossing sign, and in every way be made safe for the passage thereover of vehicles and other road traffic.

(3) The right of way of applicant in the vicinity of these crossings shall be entirely cleared for a distance of four hundred (400) feet from the crossings.

(4) Automatic flagmen of a type approved by the commission shall be installed and maintained at the expense of applicant for the protection of the following crossings:

Greenleaf road, Painter road, Barton avenue, Walnut avenue, Gunn road, Colima road, Cole road, Scott avenue, Leffingwell road, Des Moines road, Leuhm road, Hiatt street, the unnamed road at engineer's station 566 plus 35, South Nicholas avenue, and South Highland avenue.

(5) For the protection of the Fullerton road (a state highway), applicant shall install, maintain and operate at its own expense suitable crossing gates in connection with the interlocking plant for the protection of the crossing of the Pacific Electric Railroad, to be hereinafter mentioned.

(6) For the protection of the South Spadra road applicant shall, at its own expense, install, maintain and operate suitable crossing gates of a type approved by the commission.

It is hereby further ordered that applicant be and the same hereby is granted permission to construct its tracks beneath the North Spadra

road and above West Commonwealth avenue and an unnamed road at engineer's station 704 plus 50; provided all clearances, both horizontal and vertical shall not be less than the minimum specified in the commission's General Order No. 26.

It is hereby further ordered that applicant be and the same hereby is granted permission to construct its tracks at grade over a spur track of Pacific Electric Railway Company near the Leffingwell road, provided that after the installation of the crossing frogs all engines, trains, motors and cars of applicant shall proceed over the crossing under full control and all engines, trains, motors and cars of Pacific Electric Railway Company shall come to a full stop before passing over same.

It is hereby further ordered that permission be and the same hereby is granted applicant to construct its track at grade over the main line of Pacific Electric Railway Company at engineer's station 554 plus 19.1, provided applicant shall, at its own expense, subject to such agreements as have been or may be made with Pacific Electric Railway Company, install a first-class, standard interlocking plant, the plans of which shall be approved by the commission.

It is hereby further ordered that applicant be and the same hereby is granted permission to construct its tracks beneath the located line and proposed tracks of Pacific Electric Railway Company at engineer's station 661 plus 66.9, provided all clearances conform in all respects to the commission's General Order No. 26.

It is hereby further ordered that permission be and same is hereby granted applicant to construct its tracks above the main line tracks of The Atchison, Topeka and Santa Fe Railway Company at engineer's station 810 plus 17.2, provided the clearances conform to the commission's General Order No. 26.

It is hereby further ordered that the commission reserves the right to make such further orders regarding this application as to it may seem right and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of August, 1917.

DECISION No. 4517.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY FOR AN ORDER PERMITTING THE ABANDONMENT AND REMOVAL OF CERTAIN TRACKS LOCATED ON PROSPECT STREET, LA JOLLA PARK, CITY OF SAN DIEGO.

Application No. 3076.

Decided August 6, 1917.

BY THE COMMISSION.

ORDER.

Whereas Los Angeles and San Diego Beach Railway Company, a corporation, has made application for permission to abandon and remove its railroad tracks on Prospect street in La Jolla Park, in the city of San Diego, particularly described as follows, to wit:

Commencing at the southeasterly line of the intersection of Cave street with Prospect street in La Jolla Park, running thence along and upon said Prospect street to an intersection and junction with its existing route between Cuvier street and Silverado street, at a point where the southerly line of Lot 8, in Block 35 of said La Jolla Park, if extended easterly, would intersect said route; and

Whereas the franchise granted by the city of San Diego does not permit the operation of steam trains over the portion of track proposed to be abandoned, and the operation of cars over such track is not necessary for the public convenience; and the consent of the city council of the city of San Diego has been obtained permitting the abandonment of the portion of the franchise covered by the hereinbefore described route and the removal of the tracks therefrom as evidenced by authenticated copy of Resolution No. 22918 as adopted by said city council on July 16, 1917, attached to the application in this proceeding; and

Whereas it appears to the commission that this is not a matter in which a public hearing is necessary for the reason that the applicant has obtained the permission of the legislative authority of the city of San Diego as hereinabove stated, qualified, however, as requiring the consent and approval of this commission; and that the application should be granted,

It is hereby ordered that this application be and the same hereby is granted.

The removal of tracks hereby authorized shall be completed within twenty-five days after the date of service of this order.

Dated at San Francisco, California, this sixth day of August, 1917.

DECISION No. 4518.

IN THE MATTER OF THE APPLICATION OF TEHAMA COUNTY FOR
THE CONSTRUCTION OF A CROSSING NEAR CHARD AVENUE
ACROSS RIGHT OF WAY OF SOUTHERN PACIFIC COMPANY.

Application No. 3002.

Decided August 6, 1917.

N. A. Gernon, for Applicant.

Geo. D. Squires, for Southern Pacific Company.

GORDON, *Commissioner*.

OPINION.

This application was filed as a viewers' petition on June 19, 1917, and a public hearing was held at the county seat, as required by law, on July 21, 1917. Although this matter was brought to the attention of the board of supervisors by a petition with some forty-three signers, at the hearing none of these signers was represented, and the supervisors present were unable to show any public necessity for the crossing. In fact, they appeared to be doubtful of its need and stated that the county was not financially able at this time to spend the money necessary to build a road to connect with it even if the commission should give permission to make it. In view of this fact and the lack of interest displayed by the petitioners, I am of the opinion that this application should not be granted at this time, and recommend the following form of order:

ORDER.

Tehama County having applied to the commission for permission to construct a crossing near Chard avenue across the right of way of Southern Pacific Company, and a public hearing having been held, and it appearing that this application should not be granted at this time,

It is hereby ordered that this application be and the same hereby is denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of August, 1917.

Decision No. 4519, grade crossing: not printed. See end of volume.

DECISION No. 4520.

IN THE MATTER OF THE APPLICATION OF PUENTE CITY WATER
COMPANY FOR ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 2839.

Decided August 7, 1917.

Revised schedule of rates established to become effective within thirty days: Meter rates, \$1.25 per month for first 600 cubic feet or less, next 2,000 cubic feet 15 cents per 100, over 2,000 cubic feet 10 cents per 100, flat rates \$1.50 per month. Irrigation service, capacity of pump, one hour, high line \$1.50, lower line 75 cents.

Thomas C. Ridgway, for Applicant.

BY THE COMMISSION.

OPINION.

Puente City Water Company applies for authority to increase its rates for domestic and irrigation water served in and about Puente, Los Angeles County.

A public hearing in the matter was conducted by Examiner Westover. Applicant's present monthly minimum rate is \$1.25 for 600 cubic feet of water or less, 10 cents per hundred for the next 2,000 cubic feet and 7 cents per hundred for all water in excess of 2,600 cubic feet. It wishes to increase this rate to \$1.50 for 600 cubic feet or less and 15 cents per hundred for all water in excess of that amount; and to establish a monthly flat rate of \$1.50 for each connection.

Applicant was incorporated in 1910 with an authorized capital stock of \$20,000.00, divided into 400 shares of the par value of \$50.00 each, of which \$11,700.00 par value is now outstanding. It sunk wells and constructed its pumping plant and system in 1910 and began serving water about September of that year. It now serves about 104 domestic consumers and about 101 acres of irrigated lands.

It reports that its plant and system cost new \$19,399.96; that its gross revenue in 1916 was \$2,734.69; operating expenses \$2,246.03, and its net operating revenue \$488.66. Applicant has outstanding notes of \$7,400.00 bearing 7 per cent interest, the proceeds of which were used for capital purposes. Its operating expenses for the year ended June 30, 1917, not allowing for annual depreciation, and estimating the power bill for two months of 1917 as the same as for corresponding months of 1916, were shown to be as follows:

Salary of superintendent at \$75.00-----	\$900 00
Automobile allowance at \$25.00-----	300 00
Power bill (estimated)-----	577 20
Extra labor -----	95 15
Collections and promotion of business-----	56 23
Taxes -----	200 95
Total -----	\$2,129 53

No appraisal nor detailed examination of applicant's property has been made by the commission's engineers because it appears that the business has not reached such a state of development that a reasonable rate would produce an adequate return. Without strict regard, therefore, to the adequacy of return, we shall fix a rate which we consider reasonable under all of the circumstances, leaving applicant to increase the amount of the net return by effecting such economies in operation and development of its business as it is able to do until it has grown to such proportions that it will produce an adequate return at the rates fixed.

Analysis of the monthly metered consumption of water served through about 60 meters, made by Mr. H. F. Clark, one of the commission's assistant hydraulic engineers, indicates that at the rates authorized, domestic metered sales will probably approximate \$1,300.00, domestic sales at flat rates about \$900.00, and irrigation sales, if approximately the same as during the year 1916, about \$1,000.00. About half of the metered consumers use less than the amount of water allowed for the \$1.25 minimum monthly bill.

Irrigation water is delivered in two zones in quantities estimated at 70 inches in the lower zone and 60 inches in the upper zone. The variable pumping lift causes the power bill to range from 30 cents per hour to 80 cents per hour, according to the zone being supplied. The rates for irrigation water fixed in the order are those applied for, being those originally established by the applicant and in use by it since it began business.

ORDER.

Puente City Water Company having applied to the Railroad Commission for authority to increase rates charged for domestic water service in and about Puente, Los Angeles County, and to establish rates for water served for irrigation purposes in the same vicinity, and a public hearing having been held upon said application, it is hereby found as a fact that the rates heretofore charged by said Puente City Water Company for water served for domestic purposes are non-compensatory and unreasonable and that the rates hereinafter set forth are just and reasonable rates for such service, and basing its conclusions upon the foregoing findings of fact and upon the facts contained in the opinion which precedes this order,

It is hereby ordered that Puente City Water Company be and it is hereby authorized to establish and file with the Railroad Commission within thirty (30) days the following schedule of rates to be charged by it for water served to the inhabitants of Puente, Los Angeles County, and vicinity:

For Domestic Service, Monthly Rates.

First 600 cubic feet or less	\$1 25
Next 2,000 cubic feet, per 100 cubic feet.....	15
All over 2,000 cubic feet, per 100 cubic feet.....	10
Flat rates for connection per month.....	1 50

Meters to be installed at the option of the company or any patron.

For Irrigation Service.

Water served through high line per hour for the capacity of the pump.....	\$1 50
Water served through lower line per hour for capacity of the pump....	75

Dated at San Francisco, California, this seventh day of August, 1917.

DECISION No. 4521.

IN THE MATTER OF THE APPLICATION OF THE SISKIYOU TELEPHONE COMPANY OF ETNA, SISKIYOU COUNTY, CALIFORNIA, FOR AN ORDER AUTHORIZING THE APPLICANT TO ACQUIRE UNDER SPECIAL-USE PERMIT THE USE OF CERTAIN TELEPHONES OWNED BY THE FOREST SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, AND TO LEASE TO THE FOREST SERVICE CERTAIN LINES OWNED BY THE APPLICANT.

Application No. 3026.

Decided August 7, 1917.

Application granted whereby applicant leases several telephone lines to the Forest Service and acquires by special-use permit several lines now operated by the Forest Service, provided its present schedule of rates shall be made effective as regards consumers served through acquired lines.

BY THE COMMISSION.

OPINION.

The applicant in this proceeding, Siskiyou Telephone Company, operates a system of telephone lines in Siskiyou County, state of California, including a portion of the Klamath National Forest. It desires to lease to the Forest Service, United States Department of Agriculture, certain of its telephone lines within the Klamath National Forest in exchange for certain telephone lines belonging to the Forest Service, operated within this national forest, to be acquired under special-use permit. The lines which applicant desires to acquire are described as follows:

First, a line beginning at Rainey's ranch in Sec. 9, T. 46 N., R. 10 W., M. D. M., and running thence in a northwesterly direction along or near the county road to Hubbard's ranch in Sec. 8, T. 46 N., R. 10 W., M. D. M., a total length of approximately one mile;

Second, a line beginning at Scott Bar, in Sec. 16, T. 45 N., R. 10 W., M. D. M., and running thence in a southwesterly direction to a point near Canyon Creek bridge, in approximately Sec. 21, T. 44 N., R. 11 W., M. D. M., and thence in an easterly direction to Pinkerton's ranch in Sec. 22, T. 44 N., R. 10 W., M. D. M., a total length of approximately 20.00 miles;

Third, a line beginning at Seiad in Sec. 11, T. 46 N., R. 12 W., M. D. M., and running thence in a northeasterly direction to Phillips' ranch, in Sec. 32, T. 47 N., R. 11 W., M. D. M., a total length of approximately 3.25 miles;

Fourth, a line beginning at Happy Camp in Sec. 11, T. 16 N., R. 7 E., H. M., and running thence in a northwesterly direction to the Indian Creek Ranger Station in Sec. 16, T. 17 N., R. 7 E., H. M., a total distance of approximately 7.00 miles.

The lines which applicant desires to lease are described as follows:

First, a line beginning at White's ranch in Sec. 13, T. 46 N., R. 9 W., M. D. M., and running thence in a northeasterly and easterly direction along or near the county road to Gottville in Sec. 2, T. 46 N., R. 8 W., M. D. M., a total length of approximately 7.00 miles;

Second, a line beginning at White's ranch in Sec. 13, T. 46 N., R. 9 W., M. D. M., and running thence in a northwesterly and northerly direction along or near the county road and an established trail to Garretson Springs in Sec. 35, T. 48 N., R. 9 W., M. D. M., a total length of approximately 9.50 miles;

Third, a line beginning at White's ranch in Sec. 13, T. 46 N., R. 9 W., M. D. M., and running thence in a southeasterly direction along or near the county road to Mrs. S. R. White's ranch, in Sec. 20, T. 46 N., R. 8 W., M. D. M., a total length of approximately 2.50 miles.

A copy of the special-use permit and lease hereinbefore referred to have been filed with the commission.

For the purpose of securing the cooperation of the public in the protection of national forests against fire, the Forest Service permits the free use of its telephone lines and the connection of telephones to its lines in the residences of those residing within the forests, except where telephone service can be had over commercial lines. There are six such telephones now connected with the Forest Service lines which applicant desires to operate under special-use permit. The users of these telephones will be required to pay the applicant's established rates if the applicant assumes operation of these lines.

There are now six telephones connected with the lines which applicant desires to lease to the Forest Service. Applicant now charges its established rates for the use of these telephones. If these lines are taken over by the Forest Service, the free use of lines and telephones will be permitted under the usual conditions required by the Forest Service.

Applicant and the Forest Service represent that all of these lines can be operated to the better advantage of the public, as well as to applicant and Forest Service, under the plan contemplated in this application. It appears to the Railroad Commission that the public interest will be subserved by the granting of this application and that this is not a case requiring a public hearing.

ORDER.

Application having been filed with the Railroad Commission by Siskiyou Telephone Company of Etna, Siskiyou County, California, for an order authorizing it to lease to the United States Department of Agriculture, Forest Service, certain of its lines in exchange for certain telephone lines operated by the Forest Service within Klamath National Forest, as described in the preceding opinion; and it appearing to the Railroad Commission that the public interest will be subserved by the granting of this application, and it further appearing that this is not a case in which a public hearing is necessary,

It is hereby ordered by the Railroad Commission of the state of California that the application herein be and it is hereby granted; provided, that the rates which applicant may be permitted to charge for service over the lines which it is hereby authorized to acquire by special-use permit from the Forest Service shall be the same as its established rates now in effect for similar service within territory in which it now operates; and provided, further, that within thirty days from the effective date of this order the applicant herein, Siskiyou Telephone Company, shall revise and refile with the Railroad Commission its schedule of rates to conform with the changes hereinabove authorized.

By order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of August, 1917.

DECISION No. 4522.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY FOR AN ORDER AUTHORIZING SAID CORPORATION TO REDUCE THE NUMBER OF TRAINS OPERATING DAILY OVER ITS RAILWAY, TO MAKE CHANGES IN ITS RATES AND FOR AN INVESTIGATION AS TO NECESSITY OF SUCH REDUCTIONS AND CHANGES.

Application No. 2994.

Decided August 7, 1917.

A revised time schedule reducing the number of trains to be operated by applicant between San Diego and La Jolla is established to become effective after five days

notice has been given to the traveling public by posting of notices in all agency stations, and applicant is also granted permission to publish and file a revised schedule of passenger commutation rates between the above points to become effective within twenty days.

E. Swift Torrance, for Applicant.

H. C. Gardiner and *J. C. Harper*, for Protestants.

DEVLIN, *Commissioner*.

OPINION.

This is an application on behalf of the Los Angeles and San Diego Beach Railway Company for an order of the commission approving a reduction in the number of trains operated and for an increase and readjustment of passenger commutation rates.

A public hearing was held at San Diego on July 26, 1917, the matter was duly submitted and is now ready for decision.

The Los Angeles and San Diego Beach Railway Company operates a standard gauge railroad from the city of San Diego to La Jolla, a distance of 14.8 miles, all within the corporate limits of the city of San Diego.

The portion of the line within the business part of San Diego operates over a franchise and through a well-settled commercial and retail business district. North of the Santa Fe depot the line traverses for a distance of approximately one mile a second-class residence district and then enters a region of scattered dwellings or vacant land near Mission Bay. Adjoining the shore line of the latter bay the right of way occupies low lands as yet entirely undeveloped. Thence through Pacific Beach and on to La Jolla are found alternate areas of platted and unplatted land, most of which is vacant or cultivated in grain, and on which are found occasional small settlements. La Jolla, a suburb of San Diego, comprises a residence district of neat and attractive dwellings and is a tourist and summer resort, having an estimated population of 2,500. With the exception of the settlement served by the three stations in Pacific Beach, there is no substantial population between San Diego and La Jolla. At La Jolla is located a large private school, known as the Bishop's School, and at Pacific Beach there is a military academy, both of which institutions are patronized by scholars from San Diego.

The Los Angeles and San Diego Beach Railway outside of the city of San Diego does not serve a populous territory, and has suffered losses in passenger traffic due principally to the large increase in the number of privately-owned automobiles. The operation of automobiles for public use, commonly known as jitney busses, has not been an active item of competition.

The freight business of this company is of but slight volume, the percentage of total transportation revenue derived from freight business being as follows:

Fiscal year ending-----	June 30, 1914	June 30, 1915	June 30, 1916
	11.6%	12.3%	11.2%

All freight handled is carried in mixed trains.

The present schedule of trains provides the following service between San Diego and La Jolla:

Northbound		Southbound
7	Daily -----	7
3	Daily, except Sunday -----	3
1	Saturday and Sunday -----	
3	Sunday only -----	5
	Saturday only -----	1
14		16

The schedule proposed by applicant would provide the following service:

Northbound		Southbound
7	Daily -----	7
1	Saturday only -----	1
8		8

The reduction would consist of three daily, except Sunday, trains in each direction; four Sunday only trains northbound and five Sunday only trains southbound.

The passenger traffic on this line is steadily decreasing and records for the months of January to May, inclusive, show passengers carried as follows:

	1914	1915	1916	1917	Comparison, 1916 and 1917
January -----	25,578	23,393	*13,147	17,929	36.0% increase
February -----	29,655	26,363	*12,388	17,613	43.0% increase
March -----	30,897	31,567	24,995	19,359	22.5% decrease
April -----	21,314	26,141	21,149	15,730	25.6% decrease
May -----	21,636	28,040	26,922	15,143	40.0% decrease
Totals -----	131,990	135,804	98,551	85,774	12.9% decrease

*Indicates months in which service was interrupted by flood conditions.

The recent falling off in passenger traffic is attributed to the light tourist movement in and around San Diego. It is estimated by the company that 90 per cent of the present passenger travel is derived from regular commutation patrons.

The operation of the Los Angeles and San Diego Beach Railway is conducted at a loss and such loss will continue as long as efforts are made to perform service with the steam-propelled passenger trains. The operating expenses have been reduced to the lowest possible point, but the traffic has decreased and there is no possibility of further reducing operating expenses to correspond with the loss of traffic. The proposed reduction of service will not permit of any profit from the operation of the line if steam passenger trains are to be continued; the loss will be diminished but not eliminated.

A comparison showing the results from operation during the months of January to May, inclusive, is as follows:

Receipts	1916	1917
Passenger	\$18,584 35	\$16,080 50
Freight	3,406 93	1,867 83
Express	568 16	732 94
Mail	362 20	362 20
Miscellaneous	92 45	120 30
Totals	\$23,014 09	\$19,163 77
Operating expenses	22,212 71	22,115 62
Net earnings	801 38	*2,951 85
Taxes (5 months).....	1,285 35	1,957 65
Net earnings after deducting taxes.....	*483 97	*4,909 50
Interest	2,446 61	2,012 01
Net operating loss.....	*2,930 58	*6,921 51

*Indicates deficits.

At the hearings on Application No. 2482 in the month of October, 1916, it was suggested that the use of steam locomotives be discontinued in the passenger service and that some form of gasoline motor car be substituted, thereby conserving and reducing the operating expense to the lowest possible minimum. The company arranged for an amendment of its franchise in the city of San Diego and an ordinance was passed by the city council permitting the use of motor cars in lieu of steam locomotives or electric cars in the city of San Diego.

The company thereupon made arrangements for the construction of a gasoline motor car with the understanding that if the car proved successful in operation, further finances could be secured for the construction of a sufficient number of cars to eliminate the necessity for steam train operation. The experimental car has proven successful

and is now in operation replacing several of the runs formerly cared for by the use of steam locomotives.

The expected arrangement for financing additional cars through the medium of local banking interests has failed, the banks declining financial aid, due to the uncertain conditions attending the war emergency, and as a result the Los Angeles and San Diego Beach Railway finds itself with a solution of its operating difficulties in sight by the adoption of a different method of motive power, but are unable to take advantage of same by reason of their inability to secure the advance of the necessary funds, and it appears from the evidence that every possible effort has been made to secure the necessary funds for the purchase of the new type of equipment, but that such efforts have been unsuccessful. If an amount not to exceed \$20,000.00 could be secured, the necessary equipment could be purchased and the line could be operated without the continued and increasing losses attendant upon the use of steam-propelled passenger trains.

The reduction of service as desired by the applicant would result in a saving in a thirty-day month of approximately 2,707 train miles.

The operating expense per train mile for the five months ending May 31, 1917 (not including taxes, interest or depreciation), was 51.22 cents and would indicate a saving of \$1,386.52 if the proposed schedule had been effective during such period.

The revenue per train mile during the same period was 44.38 cents. If all the revenue were to be retained under the proposed reduction of service, which is hardly probable, and considering that the reduced schedule had been effective during the five months under discussion, the revenue per train mile would have been 64.64 cents, or a profit of 13.42 cents per train mile. There is necessary for taxes and interest an amount of \$3,969.66, or 13.39 cents per car mile. As no allowance has been made for depreciation and as certain items of expense are not reduced proportionately on a train-mile basis by the reduction in the train mileage, it is apparent that if the reduction of train service now requested had been effective for the five months under discussion, the line would have been operated at a loss, assuming that the full revenue received had been in evidence during the diminished train service.

It is obvious that a reduction of train service is not the only remedy for the applicant's difficulty in meeting its operating expenses, and a careful analysis of the accounts of the applicant is convincing that some other and cheaper method of transportation must be substituted for the steam passenger trains if relief is to be anticipated.

In view of the inability of the applicant to maintain the present scheduled operation of trains without incurring a material deficit from such operation, I shall recommend that the schedule outlined in the

following order be authorized, same having been carefully considered by the service department of the commission with regard to the needs of the regular daily patrons of the company.

In this connection the attention of the officials of the company is directed to the operating economies which seem possible by the adoption of self-propelled motor cars in lieu of any steam-propelled passenger trains, it being apparent that such substitution will render possible a more frequent schedule which can be maintained at a profit to the company and in the interest of its patrons. It is recommended that efforts for financing the purchase of gasoline motor car equipment be continued.

The present equipment of the company has about outlived its usefulness, is badly in need of rehabilitation, and while safe is antiquated and unattractive for passenger travel and will require replacement in the very near future. Because of these facts careful consideration of the matter of a change to some other form of motive power is especially pertinent at this time, especially if by such change the operation of the line can be conducted at a profit instead of continued yearly deficits.

I will now consider the matter of the application for an increase and adjustment of passenger commutation rates.

It is proposed to eliminate the following commutation rates: The present 10-ride individual 30-day limit; the 15-ride individual 15-day limit; the 60-ride individual 30-day limit; the 60-ride family 90-day limit; the 30-ride family 60-day limit; and the 20-ride family 60-day limit.

It is proposed to establish an individual 6-ride 5-day limit; an individual 10-ride 10-day limit; an individual 20-ride 15-day limit; and an individual 52-ride 30-day limit.

Children's individual 60-ride 60-day limit tickets remain as formerly, but have been readjusted as regards rates resulting in reductions from San Diego to Bird Rock, inclusive, and additions at the stations of La Jolla Strand, South La Jolla and La Jolla.

All family commutation tickets are to be canceled, principally, it is understood, on account of the abuse of the privilege accorded and the numerous violations of the contract provisions carried on these tickets.

It would appear that an effort has been made to establish the proposed commutation rate schedules on a mileage basis rather than on the zone rates that have existed in the past. In general, the rates proposed are not in excess of those carried by other railroads where operating conditions are comparable.

The present commutation rates are in accordance with the following schedule:

Miles from San Diego	Between San Diego and—	Individual, 10 miles, 30 days	Individual, 15 miles, 15 days	Individual, 20 miles, 10 days	Children's half-fare, 60 miles, 60 days	Family, 60 miles, 30 days	Family, 60 miles, 60 days	Family, 20 miles, 60 days
4.8	Hardy	\$1 15	\$1 50	\$4 00	\$3 00	\$5 15	\$2 65	\$2 30
6.2	Morena	1 45	1 75	4 25	3 50	7 00	3 75	2 90
7.4	Mission Bay	1 65	1 90	4 50	3 75	7 00	3 75	3 30
8.6	Lamont street (Pacific Beach).....	1 65	1 90	5 00	3 75	7 00	3 75	3 30
9.0	Haines street (Pacific Beach).....	1 65	1 90	5 00	3 75	7 15	3 75	3 30
9.6	Pacific Beach (Ocean Front).....	1 65	2 00	5 25	4 50	7 35	3 75	3 40
10.1	Seaside	1 65	2 00	5 25	4 50	7 35	3 75	3 40
10.8	Glendol	1 75	2 10	5 50	4 50	8 40	4 50	3 50
11.2	Bird Rock	1 85	2 20	5 75	4 50	8 80	5 00	3 70
12.5	La Jolla Strand.....	2 00	2 25	6 00	4 50	9 00	5 25	4 00
12.6	South La Jolla.....	2 00	2 25	6 00	4 50	9 00	5 25	4 00
14.1	La Jolla	2 00	2 25	6 00	4 50	9 00	5 25	4 00

The proposed commutation rates are in accordance with the following schedule:

Miles	Station	Individual, 6 miles, 5 days	Individual, 10 miles, 10 days	Individual, 20 miles, 15 days	Individual, 22 miles, 30 days	Children's half-fare, 60 miles, 60 days
0.0	Fourth and F streets, Loop, San Diego—					
4.4	Old Town (North San Diego).....	\$0 66	\$0 88	\$1 58	\$2 29	\$1 60
5.5	Hardy's	0 83	1 10	1 98	2 86	1 90
6.9	Morena	0 83	1 24	2 20	3 58	2 50
8.1	Mission Bay	0 97	1 46	2 60	4 21	2 90
9.3	Lamont street (Pacific Beach).....	1 00	1 49	2 70	4 83	3 35
9.7	Haines street (Pacific Beach).....	1 05	1 55	2 80	5 04	3 50
10.3	Pacific Beach (Ocean Front).....	1 11	1 65	2 98	5 35	3 70
10.4	Seaside	1 11	1 67	3 00	5 40	3 75
11.5	Glendol	1 17	1 78	3 22	5 98	4 15
11.9	Bird Rock	1 21	1 84	3 33	6 19	4 28
13.2	La Jolla Strand.....	1 27	1 90	3 36	6 86	4 75
13.5	South La Jolla.....	1 30	1 90	3 65	7 02	4 86
14.8	La Jolla (depot).....	1 42	2 10	4 00	7 70	5 33

The statement of earnings and operating expenses of the Los Angeles and San Diego Beach Railway for the calendar years ending December 31, 1915 and 1916, is as follows:

	1915	1916
Gross earnings—		
Passenger	\$65,803 22	\$47,127 05
Freight	8,799 53	8,153 77
Express	2,300 01	1,657 87
Mail	616 46	875 93
Miscellaneous	299 76	284 19
Totals	\$77,818 98	\$58,098 81
Operating expenses—		
Maintenance of way and structures	\$6,540 61	\$10,551 43
Maintenance of equipment	7,044 74	5,477 72
Conducting transportation	41,891 14	36,544 57
General expenses	6,615 33	7,187 82
Totals	\$62,091 82	\$59,761 54
Net earnings—taxes not deducted	\$15,727 16	*\$1,662 73
Taxes	3,749 06	2,062 35
Net earnings—taxes deducted	11,978 10	*3,725 08
Deduct interest	4,731 16	5,926 05
Net earnings	7,246 94	*9,651 13

*Indicates deficit.

A condensed statement of operating receipts and expenses for the six months period ending June 30, is as follows:

	1916	1917
Gross earnings	\$28,548 44	\$22,492 58
Operating expenses	27,507 58	25,638 02
Net earnings (taxes not deducted)	\$1,040 86	*\$3,146 04
Taxes	1,518 33	2,382 90
Net earnings—taxes deducted	*477 47	*5,528 94
Deduct interest	2,761 61	2,359 26
Net earnings	*3,239 08	*7,888 20

*Indicates deficit.

In the opinion in Decision No. 191, in Case No. 265, decided August 23, 1912, *Frank Williams and John W. Hannay vs. Los Angeles and San Diego Beach Railway Company* (see Opinions and Orders, C. R. C., Vol. 1, p. 451), the presiding commissioner made the following comments which are applicable in the present proceeding:

"I may also say that in my opinion defendant, in selling the numerous forms of commutation tickets, has pursued a policy much more liberal than railroads generally throughout the country. In fact, it is almost a uniform practice for carriers to have on sale only two forms of commutation tickets for adults, namely, an indi-

vidual monthly ticket good for the month and a family commutation ticket containing thirty rides. I find, however, that the rates now charged for individual monthly commutation tickets good for one round-trip daily during the month are excessive, and can not be expected to be attractive to homeseekers, and accordingly recommend material reductions in the rates for such individual monthly commutation tickets."

An order was entered in the above-entitled case and the following statement appears in the opinion:

"Defendant should be directed to file and publish said fares, effective twenty days from the date of the service of the order in this case. If after one year's trial it appears that the effect of the order in this case has been to reduce defendant's revenues, defendant may then, if it so desires, apply to this commission for relief."

After careful consideration of the financial condition of the applicant as presented to this commission and as reflected by the foregoing statements of earnings and expenses, it is apparent that the revenues received are not sufficient to enable the operation of the line to be continued except at a substantial deficit.

A comparison of the proposed commutation rates and the comparable rates for which cancellation is asked is as follows:

Present Individual 10-ride, 30-day limit.

	Rate	Rate per trip	Rate per mile
Between San Diego and—			
Hardy	\$1 15	11½ cents	2.4 cents
Morena	1 45	14½ cents	2.34 cents
Mission Bay	1 65	16½ cents	2.23 cents
Pacific Beach—Lamont street.....	1 65	16½ cents	1.92 cents
Pacific Beach—Haines street.....	1 65	16½ cents	1.83 cents
Pacific Beach—Ocean Front.....	1 65	16½ cents	1.72 cents
Seaside	1 65	16½ cents	1.63 cents
Glendol	1 75	17½ cents	1.66 cents
Bird Rock	1 85	18½ cents	1.65 cents
La Jolla Strand.....	2 00	20 cents	1.60 cents
South La Jolla.....	2 00	20 cents	1.56 cents
La Jolla	2 00	20 cents	1.42 cents

Proposed individual 6-ride, 5-day limit.

Between San Diego and—			
Old Town	\$0 66	11 cents	2.50 cents
Hardy's	83	14 cents	2.54 cents
Morena	83	14 cents	2.00 cents
Mission Bay	97	16½ cents	1.99 cents
Pacific Beach—Lamont street.....	1 00	16½ cents	1.58 cents
Pacific Beach—Haines street.....	1 05	17½ cents	1.80 cents
Pacific Beach—Ocean Front.....	1 11	18½ cents	1.80 cents
Seaside	1 11	18½ cents	1.78 cents
Glendol	1 17	19½ cents	1.70 cents
Bird Rock	1 21	20½ cents	1.69 cents
La Jolla Strand.....	1 27	21½ cents	1.60 cents
South La Jolla.....	1 30	21½ cents	1.60 cents
La Jolla	1 42	23½ cents	1.60 cents

Proposed individual 10-ride, 10-day limit.

	Rate	Rate per trip	Rate per mile
Between San Diego and—			
Old Town -----	\$0 88	8.8 cents	2.0 cents
Hardy's -----	1 10	11 cents	2.0 cents
Morena -----	1 24	12.4 cents	1.80 cents
Mission Bay -----	1 46	14.6 cents	1.80 cents
Pacific Beach—Lamont street -----	1 49	14.9 cents	1.60 cents
Pacific Beach—Haines street -----	1 55	15.5 cents	1.60 cents
Pacific Beach—Ocean Front -----	1 65	16.5 cents	1.50 cents
Seaside -----	1 67	16.7 cents	1.61 cents
Glendol -----	1 78	17.8 cents	1.55 cents
Bird Rock -----	1 84	18.4 cents	1.63 cents
La Jolla Strand -----	1 90	19 cents	1.44 cents
South La Jolla -----	1 90	19 cents	1.41 cents
La Jolla -----	2 10	21 cents	1.42 cents

Present individual 15-ride, 15-day limit.

Between San Diego and—			
Hardy -----	\$1 50	10 cents	2.0 cents
Morena -----	1 75	11½ cents	1.88 cents
Mission Bay -----	1 90	12½ cents	1.71 cents
Pacific Beach—Lamont street -----	1 90	12½ cents	1.47 cents
Pacific Beach—Haines street -----	1 90	12½ cents	1.40 cents
Pacific Beach—Ocean Front -----	2 00	13½ cents	1.39 cents
Seaside -----	2 00	13½ cents	1.31 cents
Glendol -----	2 10	14 cents	1.29 cents
Bird Rock -----	2 20	14½ cents	1.31 cents
La Jolla Strand -----	2 25	15 cents	1.20 cents
South La Jolla -----	2 25	15 cents	1.17 cents
La Jolla -----	2 25	15 cents	1.06 cents

Proposed individual 20-ride, 15-day limit.

Between San Diego and—			
Old Town -----	\$1 58	7.9 cents	1.71 cents
Hardy's -----	1 98	9.9 cents	1.80 cents
Morena -----	2 20	11 cents	1.59 cents
Mission Bay -----	2 60	13 cents	1.60 cents
Pacific Beach—Lamont street -----	2 70	13½ cents	1.45 cents
Pacific Beach—Haines street -----	2 80	14 cents	1.44 cents
Pacific Beach—Ocean Front -----	2 98	14.9 cents	1.44 cents
Seaside -----	3 00	15 cents	1.44 cents
Glendol -----	3 22	16.1 cents	1.35 cents
Bird Rock -----	3 33	16.6 cents	1.39 cents
La Jolla Strand -----	3 56	17.8 cents	1.35 cents
South La Jolla -----	3 65	18½ cents	1.35 cents
La Jolla -----	4 00	20 cents	1.35 cents

Present individual 60-ride, 30-day limit.

	Rate	Rate per trip	Rate per mile
Between San Diego and—			
Hardy	\$1 00	6 $\frac{1}{2}$ cents	1.39 cents
Morena	4 25	7 cents	1.13 cents
Mission Bay	4 50	7 $\frac{1}{2}$ cents	1.01 cents
Pacific Beach—Lamont street.....	5 00	8 $\frac{1}{2}$ cents	.97 cent
Pacific Beach—Haines street.....	5 00	8 $\frac{1}{2}$ cents	.91 cent
Pacific Beach—Ocean Front.....	5 25	8 $\frac{1}{2}$ cents	.91 cent
Seaside	5 25	8 $\frac{1}{2}$ cents	.86 cent
Glendol	5 50	9 $\frac{1}{2}$ cents	.85 cent
Bird Rock	5 75	9 7-12 cts.	.86 cent
La Jolla Strand.....	6 00	10 cents	.80 cent
South La Jolla.....	6 00	10 cents	.78 cent
La Jolla	6 00	10 cents	.71 cent

Proposed individual 52-ride, 30-day limit.

Between San Diego and—			
Old Town	\$2 29	4.4 cents	1.0 cent
Hardy's	2 86	5.5 cents	1.0 cent
Morena	3 58	6.85 cents	.99 cent
Mission Bay	4 21	8.1 cents	1.0 cent
Pacific Beach—Lamont street.....	4 83	9.3 cents	1.0 cent
Pacific Beach—Haines street.....	5 04	9.7 cents	1.0 cent
Pacific Beach—Ocean Front.....	5 35	10.1 cents	.99 cent
Seaside	5 40	10.4 cents	1.0 cent
Glendol	5 98	11.5 cents	1.0 cent
Bird Rock	6 19	11.9 cents	1.0 cent
La Jolla Strand.....	6 86	13.2 cents	1.0 cent
South La Jolla.....	7 02	13.5 cents	1.0 cent
La Jolla	7 70	15 cents	1.0 cent

Present children's individual 60-ride, 60-day limit.

Between San Diego and—			
Hardy's	\$3 00	5 cents	1.04 cents
Morena	3 50	5 $\frac{1}{2}$ cents	.94 cent
Mission Bay	3 75	6 $\frac{1}{2}$ cents	.84 cent
Pacific Beach—Lamont street.....	3 75	6 $\frac{1}{2}$ cents	.73 cent
Pacific Beach—Haines street.....	3 75	6 $\frac{1}{2}$ cents	.69 cent
Pacific Beach—Ocean Front.....	4 50	7 $\frac{1}{2}$ cents	.78 cent
Seaside	4 50	7 $\frac{1}{2}$ cents	.74 cent
Glendol	4 50	7 $\frac{1}{2}$ cents	.69 cent
Bird Rock	4 50	7 $\frac{1}{2}$ cents	.67 cent
La Jolla Strand.....	4 50	7 $\frac{1}{2}$ cents	.60 cent
South La Jolla.....	4 50	7 $\frac{1}{2}$ cents	.59 cent
La Jolla	4 50	7 $\frac{1}{2}$ cents	.53 cent

Proposed children's individual 60-ride, 60-day limit.

	Rate	Rate per trip	Rate per mile
Between San Diego and—			
Old Town -----	\$1 60	2 $\frac{1}{2}$ cents	.61 cent
Hardy's -----	1 98	3.3 cents	.60 cent
Morena -----	2 50	4.16 cents	.60 cent
Mission Bay -----	2 90	4.83 cents	.59 cent
Pacific Beach—Lamont street -----	3 35	5.58 cents	.60 cent
Pacific Beach—Haines street -----	3 50	5.83 cents	.60 cent
Pacific Beach—Ocean Front -----	3 70	6.16 cents	.60 cent
Seaside -----	3 75	6.25 cents	.60 cent
Glendol -----	4 15	6.91 cents	.60 cent
Bird Rock -----	4 28	7.13 cents	.60 cent
La Jolla Strand -----	4 75	7.91 cents	.60 cent
South La Jolla -----	4 86	8.01 cents	.59 cent
La Jolla -----	5 33	8.88 cents	.60 cent

A comparison of the proposed rates with those of other railroads, comparable as to mileage and operation, is as follows:

Los Angeles and San Diego Beach Railway Company.

Miles	Between—	And—	10-mile, 10-day Limit		20-mile, 15-day Limit		52-mile, 30-day Limit		Children's 60-mile, 60-day Limit	
			Rate	Rate per mile, cents	Rate	Rate per mile, cents	Rate	Rate per mile, cents	Rate	Rate per mile, cents
9.3	San Diego	Lamont street	\$1 49	1.6	\$2 70	1.45	\$4 83	1.0	\$3 35	.60
9.7	San Diego	Haines street	1 55	1.6	2 80	1.44	5 04	1.0	3 50	.60
10.3	San Diego	Pacific Beach	1 65	1.5	2 98	1.44	5 35	1.0	3 70	.60
14.8	San Diego	La Jolla	2 10	1.42	4 00	1.35	7 70	1.0	5 33	.60

Peninsular Railway Company.

9.7	San Jose	Cupertino	62-mile		46-mile	
10.2	San Jose	Monte Vista	\$4 80	.798	\$2 75	.616
15.4	San Jose	Los Altos	4 80	.759	2 75	.596
			6 00	.628	4 20	.592

Ocean Shore Railroad Company.

7.1	San Francisco	Palmetto	10-mile, 30-day		46-mile	
9.9	San Francisco	Thornton	\$1 25	1.76	\$3 00	.857
14.3	San Francisco	Salada	2 00	2.02	4 00	.614
			3 00	2.09	5 00	.630

Northern Electric Railway.

9.3	Sacramento	Rio Linda	62-mile		46-mile	
13.9	Sacramento	Riego	\$4 50	.78	\$5 35	1.25
			5 00	.58	8 00	1.25

CALIFORNIA RAILROAD COMMISSION DECISIONS.

Oakland, Antioch and Eastern Railway.

Oakland, Antioch and Eastern Railway.											
Miles	Between—	And—	10-ride, 10-day limit		20-ride, 15-day limit		52-ride, 30-day limit		Children's 60-ride, 60 day limit		
			Rate	Rate per mile, cents	Rate	Rate per mile, cents	Rate	Rate per mile, cents	Rate	Rate per mile, cents	
8.9	Oakland	Pinchurst Moraga Burton							\$5 15	1.25	
10.3	Oakland									5 95	1.25
13.3	Oakland									7 65	1.25
							62-ride				
							\$3 75				
							4 60				
							5 60				
Central California Traction Company.											
8.9	Sacramento	Davies Road Gerber									
13.7	Sacramento										

Tidewater Southern Railway Company.										
8.4	Stockton	Turner Castle Atlanta								
9.4	Stockton									
14.7	Stockton									

Fresno Interurban Railway Company.										
8.6	Fresno	Logan avenue Wallace Academy road								
9.6	Fresno									
14.6	Fresno									

Fresno Interurban Railway Company.										
8.6	Fresno	Logan avenue Wallace Academy road								
9.6	Fresno									
14.6	Fresno									

Pacific Electric Railway Company.

			10-ride, 30-day	80-ride	46-ride
98	Los Angeles	Glendale	\$0 90	\$3 60	\$3 00
95	Los Angeles	Ramona Park	80	3 50	2 40
87	Los Angeles	Laguna	1 35	4 75	4 15
131	Los Angeles	Los Nietos	2 00	6 50	6 05
144	Los Angeles	La Manda Park	1 50	6 20	4 85
145	Los Angeles	El Monte	1 65	5 60	4 95

While a study of the foregoing comparisons would indicate that some of the proposed rates, especially as to the 52-ride commutation, are in excess of rates now effective on other railroads, the large volume of traffic existent on such lines where the rates are actually effective by public use is not comparable with the limited traffic enjoyed by the applicant. This is particularly the case in the comparison with rates on the line of the Pacific Electric Railway Company, where the volume of traffic greatly exceeds that of the applicant.

After careful consideration I find as a fact that the present passenger commutation rates are unjust, unreasonable and unremunerative, and that the following passenger commutation rates are just and reasonable and should be established, viz:

Between San Diego, Fourth and F streets loop, and—	Individual, 20 rides, 5 days.	Individual, 10 rides, 10 days.	Individual, 15 rides, 15 days.	Individual, 20 rides, 20 days.	Children's Indi- vidual, 60 rides, 60 days.
Old Town (North San Diego)-----	\$0 66	\$0 88	\$1 58	\$2 29	\$1 60
Hardy's -----	83	1 10	1 98	2 86	1 98
Morena -----	83	1 24	2 20	3 58	2 50
Mission Bay -----	97	1 46	2 60	4 21	2 90
Lamont street (Pacific Beach)-----	1 00	1 49	2 70	4 83	3 35
Haines street (Pacific Beach)-----	1 05	1 55	2 80	5 04	3 50
Pacific Beach (Ocean Front)-----	1 11	1 65	2 98	5 35	3 70
Seaside -----	1 11	1 67	3 00	5 40	3 75
Glendol -----	1 17	1 78	3 22	5 98	4 15
Bird Rock -----	1 21	1 84	3 33	6 19	4 28
La Jolla Strand -----	1 27	1 90	3 36	6 86	4 75
South La Jolla -----	1 30	1 90	3 65	7 02	4 86
La Jolla (depot)-----	1 42	2 10	4 00	7 70	5 33

Applicant should be directed to file and publish the above passenger commutation rates, effective twenty days from the date of the service of the order in this proceeding.

I herewith submit the following form of order:

ORDER.

Los Angeles and San Diego Beach Railway Company having made application to this commission for an order authorizing a reduction in the number of scheduled trains operated on its line, for changes in certain passenger commutation rates and for an investigation as to the necessity for said reduction of schedule and changes in rates, a public hearing having been held and the matter duly submitted and the commission being fully advised,

It is hereby ordered:

1. That a revision of the operating schedule be made and that trains be hereafter operated on the following minimum schedule until the further order of this commission:

Northbound - to La Jolla.

San Diego	2 Daily, a.m.	4 Daily, a.m.	102 Daily, a.m.	6 Daily, p.m.	8 Daily, p.m.	10 Daily, p.m.	12 Daily, p.m.	14 Sat. only, p.m.
Lv. Fourth, near Broadway	7.10	9.30	11.15	1.45	3.45	5.30	6.45	11.00
Lv. foot C street	7.15	9.35	11.20	1.50	3.50	5.35	6.50	11.05
Lv. Lamont street	7.26	9.56	11.41	2.11	4.11	5.56	7.11	11.26
Lv. Pacific Beach—Ocean Front	7.40	10.00	11.44	2.15	4.15	6.00	7.15	11.30
Lv. Bird Rock	7.45	10.05	11.50	2.20	4.20	6.05	7.20	11.35
Arv. La Jolla—Silverado depot	7.55	10.20	12m.	2.30	4.30	6.15	7.30	11.45

Southbound—to San Diego.

La Jolla	1 Daily, a.m.	3 Daily, a.m.	5 Daily, a.m.	103 Daily, p.m.	7 Daily, p.m.	9 Daily, p.m.	11 Daily, p.m.	13 Sat. only, p.m.
Lv. Silverado depot	6.55	8.00	10.15	12.15	2.30	4.30	5.45	7.30
Lv. Bird Rock	7.05	8.10	10.26	12.25	2.44	4.44	5.55	7.44
Lv. Pacific Beach—Ocean Front	7.10	8.15	10.31	12.30	2.49	4.49	6.00	7.49
Lv. Lamont street	7.13	8.18	10.38	12.35	2.52	4.52	6.03	7.52
Lv. foot C street	7.35	8.40	11.05	12.55	3.20	5.15	6.25	8.15
Arv. Fourth, near Broad- way, San Diego	7.40	8.45	11.10	1.00	3.25	5.20	6.30	8.20

2. Applicant is hereby directed to establish the time schedule herein authorized after five days notice will have been given to the traveling public by posting in all agency stations and the filing of three copies of schedule with this commission.

3. The commission finds as a fact, that the applicant's present commutation rates and fares are unjust, unreasonable and nonremunerative, and finds as a fact that the following passenger commutation rates and fares are just and reasonable:

Between San Diego, Fourth and F streets loop, and—	Individual, 6 rides, 5 days.	Individual, 10 rides, 10 days.	Individual, 20 rides, 15 days.	Individual, 30 rides, 30 days.	Children's indi- vidual, 60 rides, 60 days.
Old Town (North San Diego)	\$0 66	\$0 88	\$1 58	\$2 29	\$1 60
Hardy's	83	1 10	1 98	2 86	1 98
Morena	83	1 24	2 20	3 58	2 50
Mission Bay	97	1 46	2 60	4 21	2 90
Lamont street (Pacific Beach)	1 00	1 49	2 70	4 83	3 35
Haines street (Pacific Beach)	1 05	1 55	2 80	5 04	3 50
Pacific Beach (Ocean Front)	1 11	1 65	2 98	5 35	3 70
Seaside	1 11	1 67	3 00	5 40	3 75
Glendol	1 17	1 78	3 22	5 98	4 15
Bird Rock	1 21	1 84	3 33	6 19	4 28
La Jolla Strand	1 27	1 90	3 36	6 86	4 75
South La Jolla	1 30	1 90	3 65	7 02	4 86
La Jolla (depot)	1 42	2 10	4 00	7 70	5 33

4. Applicant is hereby directed to file and publish the passenger commutation rates and fares in this order specified, effective twenty days from the service of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of August, 1917.

Decision No. 4523, grade crossing; not printed. See end of volume.

DECISION No. 4524.

CITY OF LOS ANGELES

vs.

PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 891.

(Fares to Palms District.)

CITY OF LOS ANGELES

vs.

PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 892.

(Fares to Bairdstown District.)

CITY OF LOS ANGELES

vs.

PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 911.

(Fares to Hollywood District.)

CITY OF LOS ANGELES

vs.

PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 912.

(Fares to Edendale-Richardson District.)

Decided August 7, 1917.

The Railroad Commission has the power, upon adequate showing, to permit a common carrier to charge more than five cents within the corporate limits of a municipality, also the refusal of the Commission to reduce a rate automatically disposes of the question of furnishing transfers. Petition of complainants for a rehearing denied.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

This is an application on the part of the city of Los Angeles for a

The commission, in its Decision No. 4062, denied the application for 5-cent fares between the business section of Los Angeles and points located in the annexed districts, known as Palms, Bairdstown, Hollywood and Edendale, and the present application is for a rehearing of the matters previously decided.

The petition for rehearing alleges:

First—That the decision of the commission to the effect that the lines operated by the defendant to the points named in the applications in the above actions are interurban lines and not street railway lines is unsupported by the evidence and contrary to law.

Second—That the commission failed to pass upon the question of defendant issuing transfers to passengers boarding the cars within the city of Los Angeles.

The petitioner refers to subdivision (g) of section 2 of the Public Utilities Act:

“The term ‘street railroad’ when used in this act, includes every railway, and each and every branch or extension thereof, by whatsoever power operated, being mainly upon, along, above or below any street, avenue, road, highway, bridge or public place within any city and county, or city or town, together with all real estate, fixtures and personal property of every kind used in connection therewith, owned, controlled, operated or managed for public use in the transportation of persons or property; but the term ‘street railroad,’ when used in this act, shall not include a railway constituting or used as a part of a commercial or interurban railway.”

To section 27 of the Act:

“No street or interurban railroad corporation shall charge, demand, collect or receive more than five cents for one continuous ride in the same general direction within the corporate limits of any city and county, or city or town, except upon a showing before the commission that such greater charge is justified; *provided*, that until the decision of the commission upon such showing, a street or interurban railroad corporation may continue to demand, collect and receive the fare lawfully in effect on November 3, 1914. Every street or interurban railroad corporation shall upon such terms as the commission shall find to be just and reasonable furnish to its passengers transfers entitling them to one continuous trip in the same general direction over and upon the portions of its lines within the same city and county, or city or town, not reached by the originating car.”

And also quotes from the opinion of the commission the following language:

“I deem it unnecessary to engage in a discussion of or to pass upon the question whether defendant falls within the definition of ‘street railroad’ or ‘railroad’ as those terms are employed in the Public Utilities Act.

Granting that the defendant is a ‘street railroad’ within the meaning of that act, the facts as disclosed by the evidence, and as

herein set forth, convince me that a further reduction of the fares of defendant, as requested by complainant, is unwarranted."

Paragraph V of petitioner's amended complaint in Case No. 891, which paragraph, changed only as to the volume of the fare, is carried into each case, reads:

"That the rate of fare for transporting passengers in one direction only, between the points aforesaid, to said 'Palms' or the westerly boundary of said city, charged and collected by said defendant is the sum of twenty cents (20¢) for each and every passenger; and this complainant verily believes and therefore alleges that said sum is greatly in excess of a just and reasonable rate for said service and more than is necessary to return a fair return upon the investment of said defendant for such transportation and carriage, and that the sum of five cents is a just and reasonable charge for said service."

All the cases put in issue the reasonableness of the fares and by comparing the language of the commission with the allegations in the complaint it is clearly apparent that this was the principal issue.

The complainant likewise alleged that defendant operates street railways within the city of Los Angeles, to which testimony the commission gave careful consideration, also to petitioner's and intervenor's briefs on this point. The cases were decided upon the reasonableness of the rates and even if the opinion and order had definitely classified defendant as a street railway, this would not necessarily have changed our conclusions, for under section 27 of the Public Utilities Act the commission has authority, upon a showing, to authorize a street railway to charge more than 5 cents within the corporate limits of a city.

The furnishing of transfers was involved in the 5-cent fares, therefore the refusal to order fares reduced automatically disposed of that part of the complaint.

No question of fact or law is now presented by this application which has not been fully considered by the commission.

The application for rehearing, accordingly, will be dismissed.

ORDER.

The city of Los Angeles having filed a petition for a rehearing in Cases Nos. 891, 892, 911 and 912, previously decided by the commission, and no good reason appearing why such petition should be granted,

It is hereby ordered that said petition for rehearing be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of August, 1917.

DECISION No. 4525.

IN THE MATTER OF THE APPLICATION OF C. L. WATSON, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF THE NEW TELEPHONE LINE, FOR A CERTIFICATE PERMITTING OPERATION OF A TELEPHONE SYSTEM IN PORTIONS OF SHASTA AND TRINITY COUNTIES.

Application No. 2887.

Decided August 10, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The petitioner in the above-entitled proceeding having, on July 28, 1917, requested dismissal of this proceeding,

It is hereby ordered that the same be and it is hereby dismissed.

Dated at San Francisco, California, this tenth day of August, 1917.

DECISION No. 4526.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY, CENTRAL PACIFIC RAILWAY COMPANY, JOHN MARTIN AND PACIFIC GAS AND ELECTRIC COMPANY, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING SOUTHERN PACIFIC COMPANY, CENTRAL PACIFIC RAILWAY COMPANY AND JOHN MARTIN TO SELL AND CONVEY TO PACIFIC GAS AND ELECTRIC COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY TO ACQUIRE CERTAIN FRANCHISES, RIGHTS AND PRIVILEGES AND A CERTAIN RAILROAD IN THE CITY OF SACRAMENTO, STATE OF CALIFORNIA.

Application No. 2794.

Decided August 10, 1917.

Transfer of certain trackage in city of Sacramento to Pacific company authorized.

1. Franchises held by utilities can not be transferred subsequent to effective date of Public Utilities Act without permission of this commission. 2. The Pacific company, acquiring the trackage without cost, is required to carry it on its books at the nominal value of \$1.00.

C. P. Cutten, for Pacific Gas and Electric Company.

W. M. Singer, for Southern Pacific Company and Central Pacific Railway Company.

BY THE COMMISSION.

OPINION.

In this application Southern Pacific Company, Central Pacific Railway Company and John Martin ask authority to assign and transfer to Pacific Gas and Electric Company an electric street railway along

Riverside road, Sacramento, and certain franchises, such transfer to be made pursuant to the terms of an agreement attached to the application and marked Exhibit "A."

The line of railway to be assigned and transferred starts on the south side of "Y" street and ends at a point 400 feet south of the Sacramento Southern bridge, a distance of about one and one-half miles. The line was constructed in 1905 under franchises obtained by John Martin. All the franchises have been assigned to the Southern Pacific Company, but because of one such assignment having been made subsequent to the effective date of the Public Utilities Act, John Martin has been made a party to this proceeding.

The original cost of the road is reported at \$37,447.00, while the reproduction cost less depreciation is approximately \$12,120.00.

The line of road is disassociated with the Southern Pacific tracks and is one of electrical operation. Ever since its construction, the line has been operated at a loss, the average annual loss being reported at \$3,200.00. The road has been operated by the Pacific Gas and Electric Company, owning and operating a street railway system in Sacramento. The operating deficits have been assumed by the Southern Pacific Company.

The Southern Pacific Company has considered the matter of abandoning the line and expressed its intention of so doing unless it was acquired by the Pacific Gas and Electric Company.

The assignment and transfer is made without any consideration other than that the Pacific Gas and Electric Company agrees to assume the performance of all the obligations and conditions of the franchises which it will acquire as well as assume all losses from operation after June 1, 1916.

Inasmuch as the properties are being assigned and transferred without any monetary consideration, the transfer in effect represents, in so far as the Southern Pacific Company is concerned, an abandonment of the line and the cost of the road should be charged off by the company to its profit and loss account.

Pacific Gas and Electric Company is receiving a property which since its construction has been operated at a loss.

We believe that the purchasing company should take this property upon its books at the nominal value of one dollar.

ORDER.

Southern Pacific Company, Central Pacific Railway Company and John Martin having applied to the Railroad Commission for an order authorizing them to assign and transfer to Pacific Gas and Electric Company the railway properties and franchises referred to in Exhibit "A" attached to the application herein, and a public hearing having

been held, and it appearing to this commission that this application is reasonable and should be granted.

It is hereby ordered that Southern Pacific Company, Central Pacific Railway Company and John Martin be and the same are hereby authorized to assign and transfer to Pacific Gas and Electric Company that certain street railway line referred to and described in Exhibit "A" attached to the application herein, said transfer to be made pursuant to the agreement attached to the application and marked Exhibit "A," provided that the transfer shall be on a date subsequent to the effective date of this decision.

The authority hereby granted to assign and transfer the properties is subject to the following conditions:

1. Nothing in this decision shall be construed as a finding of a value of the properties authorized to be transferred for rate fixing or any other purposes.

2. The authority hereby granted to transfer the properties shall become effective only after this commission has approved the book-keeping entries relating to the assignment and transfer of the properties of both the selling and purchasing companies.

3. The authority hereby granted to assign and transfer the properties shall apply only to such assignment and transfer as shall have been made on or before December 31, 1917.

Dated at San Francisco, California, this tenth day of August, 1917.

DECISION No. 4527.

IN THE MATTER OF THE APPLICATION OF J. W. BROWNING, OWNER OF GRAND ISLAND WAREHOUSE, FOR PERMISSION TO INCREASE WAREHOUSE RATES FOR STORAGE OF GRAIN FROM SIXTY-FIVE CENTS TO EIGHTY-FIVE CENTS PER TON.

Application No. 2921.

IN THE MATTER OF THE APPLICATION OF FARMERS TRANSPORTATION COMPANY, OWNING AND OPERATING GRIMES LANDING WAREHOUSE, TO INCREASE RATES OR FARES OR TO ALTER RULES OR REGULATIONS SO AS TO EFFECT INCREASES IN RATES OR FARES FOR STORAGE OF GRAIN AND BEANS.

Application No. 2971.

IN THE MATTER OF THE APPLICATION OF FARMERS WAREHOUSE COMPANY TO INCREASE RATES OR FARES OR TO ALTER RULES OR REGULATIONS SO AS TO EFFECT INCREASES IN RATES OR FARES FOR STORAGE OF GRAIN AND BEANS.

Application No. 2979.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO TRANSPORTATION COMPANY CONDUCTING A WAREHOUSE BUSINESS UNDER THE NAME OF GRIMES WAREHOUSE COMPANY FOR PERMISSION TO INCREASE THE RATE OF STORAGE FROM SIXTY-FIVE CENTS TO EIGHTY-FIVE CENTS PER TON.

Application No. 3004.

Decided August 10, 1917.

Increased costs of operation warranting, applicants are authorized to increase rates for the storage of grain from 65 cents to 85 cents per ton per season from June 1 to May 31. Resacking to be charged for at actual cost to warehousemen.

J. W. Browning, in propria persona.

Sanborn & Rochl, for Farmers Warehouse Company and Farmers Transportation Company.

A. B. Jackson, for Sacramento Transportation Company.

BY THE COMMISSION.

OPINION.

In the above applications, authority is sought in each instance to increase the rate for storage of grain per season of one year from June 1 to May 31 following. The increase sought is from 65 cents per ton, the old rate, to 85 cents per ton. Each of the four warehouses is located on the bank of the Sacramento River at Grimes, Colusa County. The grain stored is principally barley, with some wheat.

The evidence upon these applications was heard by Examiner Westover. By agreement of all parties concerned, the applications were heard together. Since the location of the warehouses and the conditions

surrounding their operation are very similar, the four applications will be treated together in this opinion.

The service which it is proposed shall be covered by the rate requested, includes receiving, weighing, trucking, piling, resacking where necessary, and superintending delivery to boats on the river, which come to the warehouse platforms to load. The handling from the warehouse floor to the boats is done by the boat crew in each instance, and is therefore no part of the warehouse service. To justify the increase in rate requested, applicants rely upon increases in the cost of labor, materials and board of men. The cost of labor, according to the testimony, has increased 20 per cent to 25 per cent this year.

Although the usual notice of hearing was mailed to each patron, only one patron of either of the warehouses appeared. He stated that he thought the proposed increase not justified, although cost of labor, materials and board he admitted had increased. He was unable to present any facts bearing upon the investment or cost of operating the property. He had no complaint to make of the service.

It will be noted that the initial investment claimed, in its relation to storage capacity, varies greatly in these cases. There is also considerable variation in operating costs. No allowance for depreciation has been made by applicant in either instance. All the warehouses are managed by men engaged in other occupations, so that the salaries for management are relatively small, but apparently all that the business justifies.

A valuation of the properties under consideration has not been made by the commission. No appraisal of either property was offered in evidence. Some rough estimates made by the commission's engineers indicate that the claimed investments approximate a fair cost for the structures at the times they were built.

Grand Island Warehouse (J. W. Browning, owner).

The stated investment in the original structure is \$11,000.00, in an addition built this year \$900.00, and in new equipment about \$600.00. The storage capacity of the warehouse is about 4,500 tons. The net revenue for the last five years, as shown by applicant's annual reports, is as follows:

Year	Operating revenue	Operating expense	Net operating revenue
1912	\$2,434 55	\$1,626 00	\$808 55
1913	2,303 63	1,179 70	1,123 93
1914	2,392 65	1,315 77	1,076 88
1915†	328 72	1,116 50	*787 78
1916	3,282 50	1,527 90	1,754 60
Totals	\$10,742 05	\$6,765 87	\$3,976 18
Average	\$2,118 41	\$1,353 17	\$795 24

*Loss.

†Flood conditions.

Grimes Landing Warehouse (Farmers Transportation Company, owner).

The warehouse was built in 1910 by Farmers Transportation Company, which operates a line of freight boats on the Sacramento River. The total investment in plant and facilities is stated by applicant to be \$15,485.00, and the storage capacity of the warehouse about 4,000 tons.

A detailed statement of operating revenue for 1916 placed in evidence at the hearing, shows revenue from storage \$2,505.54, operating expenses \$2,000.60, net operating revenue \$504.94 before deducting taxes and licenses amounting to \$169.50.

Farmers' Warehouse Company.

The above applicant is a corporation with an authorized capital of \$25,000.00, divided into 250 shares of the par value of \$100.00 each, of which 107 shares of \$100.00 each, or \$10,700.00 par value, have been issued.

The stated investment in warehouse facilities is \$11,285.00. Its warehouse was built about 1908. Its storage capacity is about 3,500 tons with some yard storage.

A detailed statement of operating revenue for 1916 placed in evidence at the hearing, shows revenue from storage \$2,275.45, operating expenses \$1,699.12, net operating revenue \$576.33 before deducting taxes and licenses \$133.27.

Grimes Warehouse Company (Sacramento Transportation Co., owner).

The warehouse covered by this application is owned and operated by Sacramento Transportation Company, which operates a line of freight boats on the Sacramento River. The warehouse is a wooden structure, 50 by 300 feet, with a capacity of about 4,500 tons. No definite information could be given as to its cost, although the manager was under the impression that it cost about \$5,000.00. The commission's engineers roughly estimate the cost of a building of its general description at about \$7,000.00, with lumber at the prices prevalent about 1904, when it was built.

The average annual revenue earned by the warehouse for the last five years, as shown by its annual report, is as follows:

Year	Operating revenue	Operating expense	Net operating revenue
1912 -----	\$1,400 64	\$1,033 50	\$367 14
1913 -----	2,055 43	1,015 14	1,040 29
1914 -----	1,606 98	971 36	635 62
1915 -----	325 02	153 20	171 82
1916 -----	2,393 32	1,719 86	673 46
Totals -----	\$7,781 39	\$4,893 06	\$2,888 33
Average -----	\$1,556 28	\$978 61	\$577 67

From the evidence applicants have justified an increase of 15 cents per ton above the rates at present charged and the applications will be granted.

ORDER.

J. W. Browning, Farmers Transportation Company, Farmers Warehouse Company and Sacramento Transportation Company, respectively, having applied to the Railroad Commission for authority to increase the respective rates charged for the storage and handling of grain in warehouses located at Grimes, Colusa County, California, and public hearings having been held upon each of said applications, said applications having been submitted and being now ready for decision, it is hereby found as a fact that the existing rates charged by each applicant are noncompensatory and unreasonable, and that the rates herein authorized are just and reasonable.

Basing its conclusions upon the foregoing findings of fact and upon the further findings of facts contained in the opinion which precedes this order,

It is hereby ordered that J. W. Browning, Farmers Warehouse Company, Farmers Transportation Company and Sacramento Transportation Company, be and they are hereby respectively authorized to establish and file immediately, and thereafter collect the following rates, viz:

For the storage of grain per season from June 1 to May 31, 85 cents per ton, without loading.

Resacking to be charged for at actual cost to warehouseman of sacks and material used and labor furnished.

It is hereby further ordered that the collection of these rates shall be conditioned upon the rendering of first-class service in receiving, weighing in, piling, carrying in storage, resacking and such other service as it is customary for warehousemen similarly situated to render.

Dated at San Francisco, California, this tenth day of August, 1917.

DECISION No. 4528.

IN THE MATTER OF THE APPLICATION OF HOWARD TERMINAL COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF STOCK.

Application No. 3020.

Decided August 10, 1917.

Applicant authorized to issue 320 shares of its capital stock of the par value of \$100.00 per share, 230 shares in exchange for switching trackage and equipment, 20 shares to qualify directors and for organization expenses, and 70 shares for future additions and betterments to be issued only under supplemental orders.

McCutchen, Olney & Willard, by F. P. Griffiths, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Howard Terminal Railway for authority to issue to Howard company of Oakland 230 shares of stock, of the par value of \$100.00 per share, in payment for a small switching railroad now owned and operated by the latter company. Applicant also asks for authority to issue certain additional stock for organization expenses and for new construction as hereinafter more fully set forth.

Howard company is engaged in a general warehousing, leasing and dockage business on approximately fifteen acres of land located on the Oakland estuary, south of First street between Linden and Market streets. At the present time some eight industries are located on this property. To afford direct railway connection between these industries and the Western Pacific and Southern Pacific railroads, Howard company has heretofore operated a small switching railway upon its property.

Howard company now desires to collect switching charges for this service and has therefore caused to be incorporated a subsidiary corporation known as Howard Terminal Railway. It is proposed that the railway company shall purchase outright the trackage, locomotive and equipment of Howard company leasing the right of way, scale house, and roundhouse.

Applicant has accordingly entered into a three-year lease with Howard company, dated May 31, 1917, by which it agrees to pay an annual rental of \$3,000.00 for the property to be leased from Howard company. In exchange for the property to be purchased from Howard company, the railway company proposes to issue 230 shares of stock of the par value of \$23,000.00.

Applicant has filed an inventory of the property which it proposes to purchase. This inventory may be summarized as follows:

6,180 lineal feet of track	\$20,384 00
Rail and fittings in stock	900 00
1 locomotive	3,716 00
Total	\$25,000 00

This inventory has been checked by the commission's engineers and has been found to be reasonable.

Howard Terminal Railway has a total authorized capital stock issue of \$50,000.00 divided into 500 shares of the par value of \$100.00 each. At the present time the company reports that no stock has been issued with the exception of 20 shares for incorporation purposes. The company also states that it has issued no bonds, notes or other evidences of indebtedness.

Applicant estimates that the revenues and expenses from its switching operations during the first year will be approximately as follows:

Revenues—	
Switching 3,000 cars at \$2.50 per car	\$7,500 00
Weighing or yard switching 1,500 cars at \$1.00 per car	1,500 00
Total revenue	\$9,000 00
Expenses—	
Lease from Howard company	\$3,000 00
Operation of locomotive	3,500 00
Depreciation	2,317 00
Overhead	1,500 00
Upkeep	1,000 00
Total expenses	\$11,417 00
Net loss, 1 year of operation	\$2,417 00

While the above estimate shows a loss during the first year of operation of approximately \$2,500.00, witness for applicant testified that the Howard company is now engaged in building additional wharf facilities which should result in considerable increased tonnage and consequent revenue.

Applicant also asks for authority to issue and sell to Howard company at par a sufficient amount of stock to double-track the railroad which it proposes to acquire. The cost of this work is estimated at approximately \$7,000.00. Applicant does not contemplate undertaking this construction immediately, but desires preliminary authority to issue a sufficient amount of stock to net \$7,000.00, said stock to be issued only upon supplemental order from this commission.

It is proposed that all of the stock issued by Howard Terminal Railway shall be held by Howard company, and we have the assurance of both parties that no stock will be sold to the public.

In view of all the circumstances it appears that this application may be granted, subject to the terms of the following order:

ORDER.

Howard Terminal Railway having applied to this commission for authority to issue stock as hereinbefore set forth, and a public hearing having been held, and it appearing to this commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Howard Terminal Railway be and it is hereby authorized to issue 320 shares of its authorized capital stock of the par value of \$100.00 per share.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be issued for the following purposes only:

(a) Two hundred thirty shares to Howard company in payment for 6,180 lineal feet of track, rails and fittings and locomotive used in connection with the switching railway now located on the property of Howard company in Oakland, Alameda County.

(b) Twenty shares of stock to be issued to the following parties in lieu of stock heretofore issued, the proceeds to be applied to expenses of organization:

S. H. Boardman.....	1 share
R. C. Reid.....	1 share
Duncan McDuffie	1 share
B. D. Adamson.....	1 share
C. P. Howard.....	16 shares
	—
Total	20 shares

(c) Seventy shares of stock to be issued for additions and betterments to applicant's plant and system, but only upon supplemental order from this commission.

2. The stock herein authorized to be issued shall be issued so as to net applicant not less than its full par value of \$100.00 per share.

3. Howard Terminal Railway shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified

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reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted Howard Terminal Railway to issue stock shall apply only to such stock as shall have been issued on or before February 1, 1918.

Dated at San Francisco, California, this tenth day of August, 1917.

Decisions Nos. 4529, 4530, 4531 and 4532, grade crossings; not printed. See end of volume.

DECISION No. 4533.

IN THE MATTER OF THE APPLICATION OF WEST SAN JOAQUIN VALLEY WATER COMPANY AND MILLER & LUX, INC., TO TRANSFER WATERWORKS AND SEWER SYSTEM IN GUSTINE CITY TO SAID CITY.

Application No. 3034.

Decided August 11, 1917.

Applicants authorized to transfer the water plant serving the city of Gustine to said city for the sum of \$12,000.00.

Edward F. Treadwell, for West San Joaquin Valley Water Company and Miller & Lux, Inc.

D. T. Haley and *W. W. Wehner*, trustees, for Gustine City.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application to transfer to Gustine City for \$12,000.00 cash the waterworks, and for \$6,000.00 cash the sewer system now serving said city, and which are owned by the other applicants.

A large part of the land in the western portion of Merced and Fresno counties was originally owned by Miller & Lux, Inc., which subdivided and sold those portions now constituting the cities of Gustine, Los Banos, Dos Palos and Firebaugh.

Subsequently by Decision No. 383 of December 30, 1912, Miller & Lux, Inc., was authorized by the Railroad Commission to transfer to West San Joaquin Valley Water Company the water systems established at the four towns named above. The latter company was organized by Miller & Lux, Inc., for the purpose of separating such public utility

business from its other lines of business. (See Vol. 1, Opinions and Orders of the Railroad Commission of California, p. 1027.) Miller & Lux, Inc., retained the sewer system at Gustine City.

The companies wish to dispose of the water and sewer system at Gustine and devote more attention to other matters. The city has voted bonds in the total sum of \$27,000.00, a part of which will be used to acquire the properties. Applicants have agreed upon a purchase price of \$12,000.00 for the waterworks and \$6,000.00 for the sewer system at Gustine.

The evidence indicates that public interest will not be jeopardized by the transfer of the properties to the city of Gustine.

The sewer system is not a public utility within the meaning of the Public Utilities Act. It is therefore not necessary to procure the commission's authority to transfer such system.

ORDER.

West San Joaquin Valley Water Company, Miller & Lux, Inc., and Gustine City having applied to the Railroad Commission for authority to transfer a water plant and sewer system in Gustine to Gustine City, a municipal corporation, and a public hearing having been held thereon and such transfer appearing to be in the public interest.

It is hereby ordered that West San Joaquin Valley Water Company be and it is hereby authorized and empowered to sell and convey to Gustine City for a consideration of \$12,000.00 cash its water plant and system in Gustine City, including its wells, pumps, machinery, tanks, tools, mains, meters, valves, connections and all other means used for the distribution of water in Gustine City; and also including all those certain lots, pieces or parcels of land situate, lying and being in Gustine City on which certain of the said waterworks are situated, and more particularly described as lots seventeen (17), eighteen (18), nineteen (19) and twenty (20) in block twenty-six (26), city of Gustine, as per "Map of the town of Gustine, Merced County, California, laid out by Miller & Lux, Incorporated, surveyed by F. P. McCray, July, 1906," on file and of record in the county recorder's office of the county of Merced, state of California; together with all the improvements thereon, including wells, water tanks, pumping machinery, tools, etc.

This order is made upon the following conditions:

1. The authority hereby granted shall extend only to such conveyance as shall be executed and delivered within sixty (60) days from date hereof.
2. Within ten days after execution and delivery of such conveyance, said West San Joaquin Valley Water Company shall report in writing to the Railroad Commission the fact and date of delivery of conveyance and the receipt and disposition of the proceeds of said sale.

Dated at San Francisco, California, this eleventh day of August, 1917.

DECISION No. 4534.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO MAKE, EXECUTE AND DELIVER A TRUST DEED COVERING ALL OF ITS PROPERTIES OF EVERY NATURE AND CHARACTER WHATSOEVER TO SECURE A BONDED INDEBTEDNESS AND TO ISSUE, SELL AND DELIVER TEN MILLION DOLLARS FACE VALUE OF BONDS UNDER SUCH TRUST DEED.

Application No. 3032.

Decided August 13, 1917.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas applicant has made a satisfactory showing in compliance with subdivision "d" of condition "3" of the order in Decision No. 4468, dated July 19, 1917, and it appearing that under the terms of said order \$1,591,712.56 of the proceeds of the sale of the bonds authorized to be issued by said order may be used to pay certain promissory notes listed in subdivision "d" of condition "3" of said order; now, therefore,

It is hereby ordered that Southern California Edison Company be and it is hereby authorized to apply \$1,591,712.56 obtained from the sale of bonds authorized to be issued by the order in Decision No. 4468, dated July 19, 1917, to pay notes of the Pacific Light and Power Corporation listed in subdivision "d" of condition "3" of said order, said notes to include the \$1,500,000.00 note dated February 26, 1917, payable to Bankers Trust Company.

Dated at San Francisco, California, this thirteenth day of August, 1917.

DECISION No. 4535.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF THREE HUNDRED SIXTY-FOUR THOUSAND DOLLARS.

Application No. 2974.

Decided August 11, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the commission by its order in Decision No. 4430, dated June 26, 1917, authorized Southern Counties Gas Company of California

to issue \$40,000.00 face value of bonds and directed that the proceeds from such bonds shall be used to pay all or part of the notes listed in Exhibit "L" attached to the decision; and

Whereas applicant herein in its letter of August 4, 1917, reports to the commission that through inadvertence it has used the proceeds to pay indebtedness other than that indicated in Exhibit "1" attached to Decision No. 4430; and good cause appearing,

It is hereby ordered that condition "2" of the order in Decision No. 4430, dated June 26, 1917, now reading:

"The proceeds of the \$40,000.00 of bonds shall be applied by applicant to the reimbursement of its treasury for capital expenditures during the month of April, 1917, plus the \$433.60 mentioned in the foregoing opinion, and after so applied the proceeds shall be used to pay all or part of the notes listed in Exhibit "1" attached hereto,"

be and the same is hereby amended so as to read as follows:

The proceeds of the \$40,000.00 of bonds shall be applied by applicant to the reimbursement of its treasury for capital expenditures during the month of April, 1917, plus the \$433.60 mentioned in the opinion preceding the order in Decision No. 4430, and after so applied, the proceeds shall be used to pay the indebtedness set forth in a statement filed with this commission on August 6, 1917.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4536.

MRS. L. M. CLARKE

vs.

ROBERT A. WALTON.

Case No. 1036.

Decided August 11, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The defendant in the above proceeding having wholly satisfied the complaint herein,

It is hereby ordered that the complaint in this proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4537.
JOSEPH R. MONROE

vs.

ROBERT A. WALTON.

Case No. 1041.

Decided August 14, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The defendant in the above proceeding having wholly satisfied the complaint herein,

It is hereby ordered that the complaint in this proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4538.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW
CERTAIN NOTES.

Application No. 3077.

Decided August 14, 1917.

Applicant authorized to renew for a period of not to exceed one year six certain promissory notes of an aggregate face value of \$27,700.02.

A. E. Peat, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

In this application Midland Counties Public Service Corporation asks authority to issue \$27,700.02 face value of notes, to renew the following notes:

Payee	Date of Issue	Date due	Interest	Amount
General Electric Company.....	Feb. 15, 1914	May 15, 1914	7	\$5,065 13
General Electric Company.....	Feb. 22, 1914	May 22, 1914	7	3,264 35
General Electric Company.....	Mar. 9, 1914	June 9, 1914	7	1,717 51
Wm. G. Kerchoff and A. C. Balch..	May 16, 1917	Aug. 14, 1917	6	3,500 00
Wm. G. Kerchoff and A. C. Balch..	June 27, 1917	Sept. 25, 1917	6	11,500 00
J. G. White Engineering Corp....	June 5, 1917	Sept. 5, 1917	6	2,653 03

A. E. Peat, treasurer and comptroller of applicant, testified that the proceeds from the notes were used for proper capital purposes. The issue of the \$3,264.35 note, due General Electric Company, was authorized by Decision No. 1541 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 1142), while the \$2,653.03 note payable J. G. White Engineering Corporation was issued under the authority granted by Decision No. 3526 (Vol. 10, Opinions and Orders of the Railroad Commission of California, p. 599).

Applicant desires to issue the notes for such terms as it deems advisable, provided that the aggregate of the terms of such renewals, respectively, shall not exceed one year from the date of the first renewal.

I herewith submit the following form or order:

ORDER.

Midland Counties Public Service Corporation having applied to this commission for authority to issue \$27,700.02 of notes, and a hearing having been held, and it appearing to the commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Midland Counties Public Service Corporation be and it is hereby authorized to issue its promissory notes for a term not exceeding one year for the purpose of renewing the following promissory notes now outstanding:

Payee	Date of issue	Date due	Interest	Amount
General Electric Company.....	Feb. 15, 1914	May 15, 1914	7	\$5,065 13
General Electric Company.....	Feb. 22, 1914	May 22, 1914	7	3,264 35
General Electric Company.....	Mar. 9, 1914	June 9, 1914	7	1,717 51
Wm. G. Kerchoff and A. C. Balch..	May 16, 1917	Aug. 14, 1917	6	3,500 00
Wm. G. Kerchoff and A. C. Balch..	June 27, 1917	Sept. 25, 1917	6	11,500 00
J. G. White Engineering Corp....	June 5, 1917	Sept. 5, 1917	6	2,653 03

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The notes hereby authorized to be issued shall be issued so as to net applicant not less than the face value thereof.

2. The notes hereby authorized to be issued shall be issued to the same payees, at not to exceed the same rates of interest and in the same amounts as the notes which they are given to renew.

3. Applicant may, if it so desires, issue notes for a period of less than one year and renew said notes from time to time, provided that the combined terms of the notes hereby authorized and those issued in renewal thereof shall not exceed one year.

4. Midland Counties Public Service Corporation shall report to the Railroad Commission within ten days after the issue of the respective notes hereby authorized, the fact and the date of issue, the face value of the respective notes, the rate of interest and the application of the proceeds, all in accordance with this commission's General Order No. 24, which order in so far as applicable is made a part of this order.

5. The authority hereby granted is conditioned upon the payment by application of the fee prescribed in the Public Utilities Act as amended.

6. The authority hereby granted shall apply only to such notes issued on or before June 30, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4539.

W. H. EARLY COMPANY

vs.

GREAT WESTERN POWER COMPANY.

Case No. 879.

Decided August 11, 1917.

The commission will not require an electric utility to make an extension a distance of approximately two and one-half miles for the purpose of serving several consumers when the cost of such line would approximate \$3,170.22, annual fixed charges applicable to, not including current, \$431.45 and the estimated probable revenue \$156.00. Complaint dismissed.

W. H. Early and Frank J. Burke, for Complainant.

Chaffee E. Hall, for Defendant.

BY THE COMMISSION.

OPINION.

This is a complaint instituted by the W. H. Early Company against the Great Western Power Company requesting extension of defendant's electric lines and service to lands owned and occupied by complainant and others in Sonoma County, about five miles northwest of the city of Petaluma.

A hearing was held at Petaluma before Examiner Encell on May 15, 1917.

The defendant company's lines are built to a point within two and one-half miles of the lands on which service is requested. The territory

is sparsely settled and consists of small acreage tracts with correspondingly low demand for electric light and power service.

Evidence was presented as to the number of prospective consumers, their estimated requirements of electric service and the revenue that would result therefrom. The following tables give the data presented at the hearing in relation to those subjects:

TABLE I.

Prospective consumers -----	13
Estimated connected load, lighting -----	7.70 k.w.
Estimated connected load, power -----	6.75 k.w.
<hr/>	
Total -----	14.45 k.w.
Maximum probable revenue, lighting -----	\$182 02
Maximum probable revenue, power -----	100 00
<hr/>	
Total maximum revenue -----	\$282 02
Probable actual revenue, lighting -----	\$115 50
Probable actual revenue, power -----	40 50
<hr/>	
Total probable actual revenue -----	\$156 00

To serve these 13 consumers approximately two and one-half miles of line would have to be built, the estimated cost of which would be \$3,170.22, including transformers and meters, and \$2,749.92, excluding transformers and meters.

Witness for defendant testified that making no charge for current or any overhead costs of doing business, the fixed charges assessable against this line were as follows:

TABLE II.

Interest, maintenance and depreciation, 14 per cent -----	\$443 83
Reading meters, billing and collecting at 40 cents per consumer per month -----	62 40
Taxes, 5.6 per cent on maximum estimated revenue -----	15 23
<hr/>	
Total annual fixed charges on extension -----	\$521 45

It is our opinion that defendant's estimate of fixed charges is excessive and should be reduced approximately \$90.00. It appears, however, that the probable revenue which would be obtained is not equal to the actual additional cost of serving the customers.

From the evidence in this case, we find as a fact that the extension of defendant's electric lines into the territory occupied by the complainant and others, is not warranted at the present time.

ORDER.

A hearing having been held in the above matter and the evidence showing that an extension of electric service into the lands occupied by the complainant and others, is not warranted at the present time,

It is hereby ordered that the complaint in the above-entitled matter be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this fourteenth day of August, 1917.

Decisions Nos. 4540, 4541, 4542 and 4543, grade crossings; not printed. See end of volume.

DECISION No. 4544.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY AND SAN JOSE RAILROADS AND PENINSULAR RAILWAY COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING SAN JOSE RAILROADS AND PENINSULAR RAILWAY COMPANY TO SELL AND CONVEY AND PACIFIC GAS AND ELECTRIC COMPANY TO PURCHASE A CERTAIN TRANSMISSION LINE EXTENDING FROM SAN JOSE TO SARATOGA, AND A STATIONARY MOTOR SYSTEM, BUSINESS CONTRACTS, RIGHTS OF WAY AND FRANCHISES.

Application No. 2949.

Decided August 11, 1917.

Railroad companies authorized to transfer to gas and electric company a certain transmission line running from San Jose to Saratoga for the sum of \$6,400.00, also a stationary motor system and electrical equipment for the sum of \$62,500.00, such transfer not to result in any increases in rates.

BY THE COMMISSION.

ORDER.

San Jose Railroads, Peninsular Railway Company and Pacific Gas and Electric Company having filed this joint application in which the authority of the Railroad Commission is sought to the transfer by San Jose Railroads and Peninsular Railway Company to Pacific Gas and Electric Company of certain electric properties and also to the execution of a certain contract for the purchase of electric energy, and a hearing having been held,

It is hereby ordered

(1) San Jose Railroads and Peninsular Railway Company be and they hereby are authorized to transfer to Pacific Gas and Electric Company for the sum of \$6,400.00 that certain electric transmission line consisting of poles and wires, together with the necessary cross-arms, insulators and other appliances and fixtures used in connection therewith, constructed along the railroad right of way of the vendors from San Jose to Saratoga.

(2) That San Jose Railroads and Peninsular Railway Company be and they are hereby authorized to sell and convey to said Pacific Gas and Electric Company for the sum of \$62,500.00, the so-called "stationary motor system" of said vendor in the county of Santa Clara, including all electric poles, wires, lines, circuits, meters, transformers and

other electrical appliances and fixtures for use solely in connection therewith, not necessary to the operation of the railway properties, said stationary motor system being described in detail in applicant's Exhibit No. 1, filed herein, together with the vendors' business of selling and distributing electric energy by means of said stationary motor system, all contracts and agreements which vendors now have for the sale of electric energy by means of said system, and all rights of way for the construction, maintenance and operation of said system.

(3) That Pacific Gas and Electric Company, San Jose Railroads and Peninsular Railway Company be and they hereby are authorized to execute a contract for the purchase and sale of electric energy upon the terms and conditions set forth in the form of contract attached to the application in this proceeding and marked Exhibit A.

The authority herein granted to transfer property and to execute the contract for the purchase and sale of electric energy is granted only upon the following conditions:

(a) The consideration paid for the property herein authorized to be transferred shall not be taken before this commission or any court as representing the value of said property for rate fixing or other purposes.

(b) The authority herein granted to transfer property and to execute said contract shall apply only to such transfers or contracts executed within the period of sixty (60) days from the date of this order.

(c) The authority herein granted shall not be construed as permitting any increase in rate for electric energy furnished in any instance unless hereafter specifically authorized.

(d) The Railroad Commission reserves the right to make such further orders as it may deem necessary with reference to any of the terms or conditions set forth in said contract attached to the application herein and marked Exhibit A.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4545.

IN THE MATTER OF THE APPLICATION OF CITIZENS WATER COMPANY OF NILES, FOR AN ORDER AUTHORIZING IT TO LEASE THE PIPE LINES AND WATER SYSTEM OF J. C. SHINN.

Application No. 3097.

Decided August 14, 1917.

BY THE COMMISSION.

ORDER.

J. C. Shinn having applied to this commission for authority to lease to Citizens Water Company, in accordance with the terms and conditions

of the form of lease attached to the application in this proceeding, marked Exhibit "A," the following described property:

"All water mains, pipe lines, meters, connections and other equipment and appurtenances now in use by said lessor and extending from his well near the Southern Pacific Railroad track and about four hundred (400) feet west of the residence of one T. J. Sullivan at said Niles, westerly along the state highway and branch roads, avenues and lanes connected thereto, to and including the town of Decoto, together with all water mains, pipe lines, meters, equipment and appurtenances belonging to said lessor and located in Second street and School street in said town of Niles, and also all extensions of, additions to and enlargements of said mains, pipe lines, equipment and appurtenances to be made by said lessor as herein provided, and in addition, the reservoir or tank herein required to be constructed by said lessor."

And Citizens Water Company having joined in the application, and the commission being of the opinion that this is not a case in which a public hearing is necessary and that the application should be granted,

It is hereby ordered that said application be and the same hereby is granted with the understanding that the Railroad Commission reserves the right to make such further order as to the commission seems proper with reference to the price for which water is to be sold under said lease.

Dated at San Francisco, California, this fourteenth day of August, 1917.

DECISION No. 4546.

IN THE MATTER OF THE APPLICATION OF R. W. ELLIOTT TO SELL,
AND OF GARDEN GROVE CITY WATER COMPANY TO BUY, CERTAIN
PUBLIC UTILITY PROPERTY AND TO ISSUE CERTAIN SECURITIES.

Application No. 1795.

Decided August 11, 1917.

A utility which obtains premission of the commission to issue an amount of its capital stock, but delays in issuing all or a portion thereof until subsequent to the expiration date of its authorization, must apply for an order reauthorizing the issuance of such shares as were issued subsequent to the expiration date.

Applicant authorized to issue 100 shares of capital stock of the par value of \$10.00 per share, 80½ shares in lieu of stock heretofore issued without proper authority, the balance to be sold at not less than par for additions and betterments to plant.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the commission by Decision No. 2716, dated August 27, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of California,

p. 908), subject to certain conditions authorized Garden Grove City Water Company to issue on or before March 1, 1916, 100 shares of its common capital stock of the par value of \$10.00 per share to finance the acquisition and construction of additions and betterments; and

Whereas applicant has requested that the time within which said stock may be issued be extended to and including December 31, 1917, and applicant given authority to issue 80½ shares of said stock in lieu of a like amount of stock heretofore issued subsequent to March 1, 1916, the proceeds of which were expended for capital purposes, and that it be permitted to issue the additional 19½ shares for additions and betterments; and good cause appearing,

It is hereby ordered that Garden Grove City Water Company be and it is hereby authorized to issue 100 shares of its capital stock of the par value of \$10.00 per share for the purpose of defraying a portion of the cost of the additions and betterments set forth in Exhibit "A" attached to this first supplemental order.

The authority herein granted is granted upon the following conditions and not otherwise:

1. Of the stock herein authorized to be issued 80½ shares shall be issued to the following parties in exchange for and upon cancellation of a like number of shares of stock heretofore issued without authority from this commission:

J. D. Price.....	10 shares
H. A. Lake.....	20 shares
M. W. Sweetser.....	5 shares
Jack Jentges	5 shares
W. B. Harper.....	5 shares
John W. Steele.....	5 shares
J. H. Fry.....	5 shares
E. Schneider	10 shares
Preston Grocery Company.....	1 share
T. C. Natland.....	1 share
J. T. McElree.....	1 share
F. C. Thompson.....	2½ shares
P. M. German.....	1 share
Albert L. Schneider.....	9 shares
Total	80½ shares

2. The balance of the stock herein authorized to be issued, amounting to 19½ shares, shall be sold so as to net applicant not less than its full par value in cash.

3. Garden Grove City Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and condi-

tions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable is made a part of this order.

4. The authority herein granted applicant to issue stock shall apply only to such stock as shall have been issued on or before December 31, 1917.

Dated at San Francisco, California, this fourteenth day of August, 1917.

EXHIBIT "A."

Additions and betterments for which the one hundred (100) shares of stock herein authorized may be issued by Garden Grove City Water Company:

15-horsepower Fairbanks-Morse motor, 7-inch belt, automatic cut-in and cut-out electrical device-----	\$140 00
10,000-gallon tank and material for pump-house and braces on tank stand -----	204 00
Labor on building and tank stand-----	123 50
Pipe fittings -----	88 12
6-inch pipe -----	5 75
Labor on 4-inch and 6-inch pipe lines and other plant equipment--	177 00
1,300 feet 6-inch standard pipe and two chain pipe tongs -----	824 95
Total -----	\$1,863 32

Decision No. 4547, grade crossing; not printed. See end of volume.

DECISION No. 4548.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF THREE HUNDRED SIXTY-FOUR THOUSAND DOLLARS.

Application No. 2974.

Decided August 15, 1917.

Order made permitting the issuance of \$83,000.00 face value of bonds to be sold at not less than 90, proceeds to be used partly to discharge notes and accounts and partly to reimburse treasury covering capital expenditures made. No order made with reference to establishing a reserve for accrued depreciation, applicant having agreed that no dividends will be paid until satisfactory arrangements have been made with reference thereto.

Hunsaker & Britt and LeRoy M. Edwards, by G. Harold Janeway,
for Applicant.

LOVELAND, Commissioner.

FIRST SUPPLEMENTAL OPINION.

In its supplemental application filed July 23, 1917, as amended, Southern Counties Gas Company of California asks authority to issue

and sell at not less than 90 per cent of face value and accrued interest, \$83,000.00 of first mortgage twenty-year 5½ per cent bonds, due and payable May 1, 1936, the proceeds to be used to reimburse applicant's treasury and pay outstanding notes and accounts payable.

In lieu of selling the bonds, applicant asks for alternative authority to pledge the same as collateral to secure the payment of notes.

By Decision No. 4430, dated June 26, 1917, Southern Counties Gas Company of California was authorized to issue \$364,000.00 of its first mortgage bonds to finance 80 per cent of its proposed capital expenditures for the year ending March 31, 1918. The order in the decision provided that \$40,000.00 of said bonds might be issued immediately and that the balance should only be issued upon supplemental orders from this commission.

In Exhibit "A," attached to the supplemental application, applicant reports that during the months of May and June, 1917, it expended for permanent extensions, betterments and improvements to its existing plants and property, the sum of \$103,598.12, and that under the provisions of its trust deed, it is entitled to issue bonds for 80 per cent of this amount, or \$82,878.50. It further represents that it has a balance on hand against which bonds have not been issued of \$316.78, making a total amount against which bonds may be issued at the present time of \$83,195.28.

On August 11, 1917, applicant filed with the commission a segregation of its notes and accounts payable. Out of a total of \$390,880.74 applicant reports that \$287,780.15 represents in its entirety capital expenditures, whereas \$103,100.59 represents in part capital and in part operating expenses. For the purpose of identification and reference the schedule of indebtedness representing in its entirety capital expenditures has been marked Exhibit No. 4, First Supplemental Application No. 2974; and the schedule of indebtedness representing part capital and part operating expenses, has been marked Exhibit No. 5, First Supplemental Application No. 2974.

All of the proceeds of the bonds will be used by applicant to pay notes and accounts payable. I believe that a part should be directly so applied, while a part may be used to reimburse the treasury and thereafter used to pay indebtedness.

From the report received from this company, it is evident that its plant is kept in good condition, the company having reported from time to time the expenditures of large sums of money for replacements and upkeep. To the present time the company has made no provision for a reserve for accrued depreciation. While a part of the sums expended for upkeep and replacement may be properly chargeable to depreciation, and the amount set aside for a reserve for accrued depreciation diminished proportionately, nevertheless I am of the opinion that such a

reserve should be established and the company has agreed to establish the same on January 1, 1918, and make proper provision for depreciation thereafter. The amount of such reserve and the method of establishing it, may be taken care of by a subsequent order of the commission. The postponement of the establishment of a reserve for accrued depreciation, is recommended to the commission upon the specific understanding which I have had with this company, that no dividends will be paid until provision for depreciation, satisfactory to this commission, has been made.

In the supplemental application as originally filed, applicant asked authority to issue and sell the \$83,000.00 of bonds at not less than 92½ per cent of their face value plus accrued interest. At the hearing, because of the unsettled condition of the bond market, applicant amended its application and now asks authority to sell the bonds at not less than 90 per cent of their face value plus accrued interest, or to pledge the same to secure the payment of notes at such ratio that the face value of the notes shall never be less than 75 per cent of the bonds pledged to secure the payment of same. I have given this matter careful consideration and am not inclined at this time to recommend that applicant be granted authority to pledge its bonds. I believe that an earnest effort should be made to sell the bonds. If applicant should fail in such effort, it may again apply to the commission for authority to pledge the bonds. I am of the opinion that because of present conditions applicant should be authorized to sell the bonds at not less than 90 per cent of their face value plus accrued interest.

I herewith submit the following form of order:

SECOND SUPPLEMENTAL ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to issue and sell or pledge \$83,000.00 face value of its first mortgage twenty-year 5½ per cent bonds, due and payable May 1, 1936, and a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby authorized to issue and sell \$83,000.00 face value of its first mortgage twenty-year 5½ per cent bonds due and payable May 1, 1936.

It is hereby further ordered that the application of Southern Counties Gas Company of California for alternative authority to pledge the \$83,000.00 of bonds hereby authorized to be issued as collateral security for notes be and the same is hereby denied without prejudice.

The authority hereby granted applicant to issue and sell bonds is granted upon the following conditions and not otherwise:

1. The bonds hereby authorized to be issued shall be sold so as to net applicant not less than 90 per cent of their face value in cash, plus accrued interest.

2. The proceeds from \$38,000.00 face value of bonds hereby authorized to be issued shall be used to pay notes and accounts payable, listed in Exhibit No. 4, First Supplemental Application No. 2974.

3. The proceeds from \$45,000.00 face value of bonds shall be used to reimburse applicant's treasury for surplus earnings expended for capital purposes, and after such reimbursement shall be used to pay notes and accounts payable, listed in Exhibit No. 4, First Supplemental Application No. 2974, or in Exhibit No. 5, First Supplemental Application No. 2974.

4. Southern Counties Gas Company of California shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority hereby granted to issue bonds shall not become effective until Southern Counties Gas Company of California has paid the fee prescribed by the Public Utilities Act.

6. The authority hereby granted to Southern Counties Gas Company of California to issue bonds shall apply only to such bonds as shall have been issued on or before November 30, 1917.

The foregoing first supplemental opinion and second supplemental order are hereby approved and ordered filed as the first supplemental opinion and second supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifteenth day of August, 1917.

DECISION No. 4549.

IN THE MATTER OF THE APPLICATION OF CORNELIUS COLE AND SEWARD COLE, TRUSTEES FOR THE COLEGROVE WATER COMPANY OF THE STATE OF CALIFORNIA, AND THE BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES, FOR AN ORDER AUTHORIZING THE SALE OF PUBLIC UTILITY PROPERTY.

Application No. 3111.

Decided August 17, 1917.

Applicants authorized to transfer small water utility operating in the city of Los Angeles, and known as the Colegrove Water Company, to the city of Los Angeles for the sum of \$2,400.00.

BY THE COMMISSION.

ORDER.

Cornelius Cole and Seward Cole, trustees for the Colegrove Water Company, having applied to this commission for authority to transfer to the Board of Public Service Commissioners of the city of Los Angeles, for the sum of \$2,400.00, certain public utility water property used to supply water to approximately two hundred persons in the territory in the city of Los Angeles bounded on the north by Sunset boulevard, on the east by Gordon street, on the south by Melrose avenue, and on the west by Seward street, the transfer to be made in accordance with the terms and conditions of a form of conveyance attached to the application herein and marked Exhibit "B," in which the particular property to be conveyed is described as follows:

"All water pipes, service connections, fittings, meters, appliances, appurtenances and extensions constituting and pertaining to the water distributing system owned by said Cornelius Cole and Seward Cole, as Trustees for said Colegrove Water Company, and operated and supplying water in that certain territory within the City of Los Angeles, bounded on the North by Sunset Boulevard, on the East by Gordon Street, on the South by Melrose Avenue, and on the West by Seward Street; excepting and reserving unto said Cornelius Cole and Seward Cole, as Trustees for said Colegrove Water Company, the wells, pumping plant, machinery, tools, buildings, reservoir, and the land whereupon the same are located; also excepting a certain 6 inch riveted steel pipe running westerly from the reservoir to Gower Street, thence Southerly on Gower Street to Lexington Avenue, and also a certain 4 inch riveted steel pipe on Lexington Avenue, running from Gower Street to Vine Street, thence southerly on Vine Street to gate valve located approximately 80 feet northerly of Santa Monica Boulevard;

"Provided, however, that all service connections and meters that are now attached or may hereafter be attached to or supplied from or by the pipe lines above described and specifically excepted from

this agreement shall belong to and become the property of the City of Los Angeles by virtue of such purchase.

"All franchises or rights of way owned by or held for said Cornelius Cole and Seward Cole, as Trustees for said Colegrove Water Company, and used or necessary in connection with the construction or operation of said works or any part thereof, or any extension of said works.

"All maps and records pertaining to said water system and relating to pipes, services, consumers, property, rates, etc."

And the Board of Public Service Commissioners of the city of Los Angeles having joined in this application, and the commission being of the opinion that this is not a case in which a public hearing is necessary, and that the application should be granted,

It is hereby ordered that the application be and the same hereby is granted, provided that the authority hereby granted shall apply only to such conveyance as may be made on or before sixty (60) days from the date of this order, and provided, further, that within ten (10) days after any conveyance is made under the terms of this order, a copy of the conveyance shall be filed with the Railroad Commission.

Dated at San Francisco, California, this seventeenth day of August, 1917.

DECISION No. 4550.

IN THE MATTER OF THE APPLICATION OF THE MIDLAND COUNTIES PUBLIC SERVICE CORPORATION AND THE SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE CONSTRUCTION OF PIPE LINES TO SERVE NATURAL GAS.

Application No. 2761.

(Amended and Supplemental.)

Decided August 17, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

In the order heretofore made in this proceeding on May 24, 1917, it was provided in part as follows:

"It is hereby declared that public convenience and necessity will require the exercise by Midland Counties Public Service Corporation of the franchise to be obtained by it from the counties of Santa Barbara and San Luis Obispo in so far as necessary to operate its present lines and to construct and operate lines to serve the towns of Pismo and Avila, and along and adjacent to applicant's

transmission line from Oilport to San Luis Obispo and to other territory in San Luis Obispo County and Santa Barbara County subject to the requirements as set forth in the stipulation filed with the Commission and included in the opinion herein, and the service of consumers in that territory; final order in this application to be made after Midland Counties Public Service Corporation shall have acquired said franchise as aforesaid from the county of San Luis Obispo and the County of Santa Barbara, and shall have filed copies of same with the Railroad Commission of the State of California and subject to such terms and conditions as this Commission may designate."

And the franchise referred to therein having been granted to Midland Counties Public Service Corporation by the board of supervisors of Santa Barbara County by Ordinance No. 378, and by the board of supervisors of San Luis Obispo County by ordinance "recorded in Ordinance Book 'B,' page 36," and Midland Counties Public Service Corporation having filed a stipulation that neither it nor its successors or assigns will claim before the Railroad Commission or any other public body a value for said franchises in addition to the actual cost thereof, which is stated to be \$50.00 for the franchise procured from the board of supervisors of San Bernardino County and \$100.00 for the franchise procured from the board of supervisors of San Luis Obispo County, the Railroad Commission hereby declares that public convenience and necessity require and will require the exercise by Midland Counties Public Service Corporation of the rights and privileges granted to it by said franchises in so far as necessary to operate its present lines, and to construct and operate lines to serve the towns of Pismo and Avila, and along and adjacent to said company's transmission line from Oilport to San Luis Obispo and to other territory in San Luis Obispo County and San Bernardino County, subject to the requirements as set forth in stipulation filed with the Railroad Commission and indicated in the opinion heretofore rendered on May 24, 1917, and the service of the consumers in that territory.

Dated at San Francisco, California, this seventeenth day of August, 1917.

DECISION No. 4551.

IN THE MATTER OF THE APPLICATION OF SOLVANG WATER AND IRRIGATION COMPANY FOR PERMISSION TO INCREASE RATES AND FOR AN ORDER AUTHORIZING AN ISSUE OF STOCK, NOTES OR OTHER EVIDENCES OF INDEBTEDNESS.

Applications Nos. 2851, 2896.

Decided August 17, 1917.

An additional charge on monthly water bills of 10 cents to all consumers not owning their own meters is unlawful and discriminatory and its discontinuance required. Applicant directed to install all meters and service connections at its own expense.

Permission granted for issuance of 140 shares of capital stock of the par value of \$50.00 per share, 72 shares to be issued in lieu of a like number heretofore issued without proper authority, the balance to be sold at not less than par, proceeds to discharge outstanding notes.

Following schedule of domestic rates established to become effective within twenty days: first 1,000 cubic feet per month, 25 cents per 100; over 1,000 cubic feet per month, 15 cents per 100; minimum monthly bill, \$1.25.

P. P. Hornsyld, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was held in the above-entitled applications by Examiner Encell on July 23, 1917, at Solvang.

In Application No. 2896, applicant asks authority to issue 72 shares of stock, par value \$50.00 per share, in lieu of a like amount of stock issued without authority from the commission; to issue from time to time additional shares amounting to 228 shares and to refund and pay notes in the sum of \$3,400.00. In Application No. 2851, applicant asks authority to increase its water rates.

Solvang Water and Irrigation Company was organized in September, 1912, with an authorized stock issue of \$15,000.00, divided into 300 shares, each of the par value of \$50.00. It is engaged in selling water for domestic purposes to the Danish-American Colony at Solvang, Santa Barbara County.

The evidence shows that through ignorance of the provisions of the Public Utilities Act, and with no intention to violate any of the provisions of said act, applicant has issued 72 shares of its capital stock without authority from this commission. In lieu of the stock thus issued, it now desires authority to issue 72 shares of its stock at par.

Applicant's indebtedness consists of the following notes:

Payee	Date	Maturity	Interest	Amount
J. P. Jensen.....	June 9, 1913	Dec. 9, 1913	7	\$1,700 00
Marcus Neilson.....	Aug. 1, 1913	Aug. 1, 1914	7	1,000 00
Marcus Neilson.....	Sept. 23, 1913	Sept. 23, 1914	7	700 00
Total				\$3,400 00

Applicant reports that the entire \$3,400.00 has been used for capital purposes. It now desires authority to refund said notes or pay the same through the issue of stock.

Applicant does not contemplate the installation of any extensions at this time. We therefore believe that 140 shares of stock is the maximum amount which applicant should be permitted to issue. Of the 140 shares, 72 shares shall be issued in lieu of a like amount of stock heretofore issued without the authority of this commission and 68 shares shall be sold for not less than the par value thereof and the proceeds used to pay the notes mentioned above.

Applicant states that under its present schedule of rates it is operating at a loss, it being necessary to levy annual assessments on the stock to meet a portion of interest on the notes heretofore mentioned, and under Application No. 2851 asks an increase in such rates.

The rates at present in effect are:

First 6,000 gallons per month, \$1.00 per 3,000 gallons.

In excess of 6,000 gallons per month, 50 cents per 3,000 gallons.

Minimum monthly charge, \$1.00.

In addition to these rates, applicant makes a practice of charging a rental of 10 cents per month on meters not owned by the consumer.

Applicant desires to increase the rate to \$1.50 per 3,000 gallons up to 6,000 gallons. No increase is desired in quantities above 6,000 gallons.

The water supply for this system is obtained from deep wells sunk in the bed of Alamo Pantado Creek and raised 156 feet to a concrete-lined earthen reservoir located on a hill above the town. From the reservoir water is distributed by gravity. Although applicant as far back as 1912 filed appropriation of 75 miner's inches of water flowing in the Alamo Pantado, to date no use has been made thereof, and the possibilities of saving in pumping expense through the utilization of this flow naturally suggests itself. The pumping plant was designed for a capacity of 400 gallons per minute, the original plan being to supply water

for both irrigation and domestic uses. The cost of producing water for irrigation purposes was found prohibitive, and at the present time no extensive use is being made of water for this purpose. The capacity of the pumping plant is greatly in excess of the needs of the present consumers, and the justice of charging its entire cost against the present users is doubtful.

James Armstrong, one of the commission's hydraulic engineers, testified that, after an investigation into the affairs of this utility, he believed the reasonable cost of applicant's water system, as installed, to be \$7,850.00; that normal operating expenses for the year 1917 should not exceed \$400.00, with depreciation requirement on the 4 per cent sinking fund basis to be \$178.50; that the investment in the present system is larger than reasonably necessary to serve the present consumers, and suggested the schedule of rates hereinafter shown as being sufficient to provide the estimated operating expenses, depreciation and a reasonable return upon a fair value of the plant used for present consumers.

The suggested schedule is as follows:

First 1,000 cubic feet per month, 25 cents per 100 cubic feet.

In excess of 1,000 cubic feet per month, 15 cents per 100 cubic feet.

Minimum monthly charge, \$1.25.

No objections were raised to this suggested schedule by applicant or by any of its consumers, a considerable number of whom were present at the hearing.

It is imperative that applicant conform to the general ruling of this commission relative to the installation at its own expense of meters and service connections of normal size, and to cease collecting any rental on such meters as it has installed. It is advised that applicant proceed to acquire such meters as have been installed by the consumers, paying for them at their present value through a reasonable credit on monthly water bills.

ORDER.

Solvang Water and Irrigation Company having applied to this commission for authority to issue seventy-two (72) shares at par of its common stock and for authority to renew or pay those certain notes heretofore referred to and for permission to increase its charges for water service, and a public hearing having been held and it appearing that in the opinion of the commission, the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

It is hereby ordered that Solvang Water and Irrigation Company be and is hereby granted authority to issue one hundred and forty (140)

shares of its capital stock at par, seventy-two (72) shares of which shall be issued in lieu of a like amount of stock issued without authority of this commission and sixty-eight (68) shares shall be sold for not less than the par value thereof in cash, and the proceeds used to pay the notes listed in the foregoing opinion.

It is hereby further ordered that Solvang Land and Irrigation Company be and it is hereby authorized to establish and file with this commission within twenty (20) days from the date of this order the following schedule of rates for water served to the inhabitants of Solvang and vicinity, said schedule to be effective upon filing—

First 1,000 cubic feet per month, 25 cents per 100 cubic feet.
In excess of 1,000 cubic feet per month, 15 cents per 100 cubic feet.
Minimum monthly charge, \$1.25.

The authority hereby granted to issue stock is subject to the following conditions:

1. The seventy-two (72) shares of stock authorized to be issued in exchange for a like amount of stock issued without the authority of this commission, may be issued only after the shares thus issued have been returned to the company and by it canceled.
2. On or before the twenty-fifth day of each month, applicant shall file with this commission reports, pursuant to General Order No. 24, which order in so far as applicable is made a part of this order.
3. The authority hereby granted to issue stock shall apply only to such stock as may be issued on or before December 20, 1917.

Dated at San Francisco, California, this seventeenth day of August, 1917.

DECISION No. 4552.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SALT LAKE RAILROAD COMPANY FOR AUTHORITY TO CONSTRUCT AND MAINTAIN CERTAIN STEAM RAILROAD TRACKS AT GRADE ACROSS CERTAIN STREETS AND ALLEYS AND ACROSS THE TRACKS OF CERTAIN OTHER COMPANIES, ALL WITHIN THE CITY OF LOS ANGELES, CALIFORNIA.

Application No. 3037.

Decided August 18, 1917.

When the Railroad Commission has pending before it investigations which might result in the rearrangement of all terminal facilities in a city, it will not grant an application petitioning for permission to construct a number of grade crossings in connection with the extension of terminal lines, which would otherwise receive

favorable consideration, when the expenditure therefor would run into a considerable sum with the possibility of such expenditure being materially affected by an order issued in connection with pending investigations.

Petition of Salt Lake Railroad Company for permission to construct certain crossings at grade in the city of Los Angeles held in abeyance pending the obtaining of information necessary to determine manner of construction and secure adequate protection of such crossings.

F. E. Pettit, Jr., for Applicant.

Geo. D. Squires, for Southern Pacific Company.

Seward A. Simons, for Central Development Association.

EDGERTON and LOVELAND, *Commissioners*.

OPINION.

In this application the Los Angeles and Salt Lake Railroad Company, hereinafter designated as the railroad company, asks the commission's authority to cross at grade nine (9) public streets, four (4) railway tracks and one (1) double track street railway. These are:

(a) Street Crossings at Grade.

1. Sixteenth street, to be crossed with 2 tracks.
2. Fourteenth street, to be crossed with 2 tracks.
3. Eleventh street, to be crossed with 2 tracks.
4. Tenth street, to be crossed with 2 tracks.
5. Ninth street, to be crossed with 2 tracks.
6. Alley between Hunter and Ninth streets, to be crossed with 2 tracks.
7. Hunter street, to be crossed with 2 tracks.
8. Lawrence street, to be crossed with 2 tracks.

(b) Steam Railroad Crossings.

1. One track at grade across a one-track spur of the Santa Fe, south of Sixteenth street.
2. Two tracks at grade across one spur track of the Southern Pacific Company, north of Sixteenth street.
3. Two tracks at grade across two spur tracks of the Santa Fe, south of Fourteenth street.
4. Seven tracks at grade, with two additional tracks proposed, across spur tracks of the Santa Fe on Lawrence street.

(c) Street Railroad Crossings.

1. Two tracks at grade across the double track line of the Los Angeles Railway on Eleventh street.

These crossings are part of the railroad company's plan to construct and establish a freight terminal in the industrial district of Los Angeles west of the Los Angeles River, a territory which the company is at this time unable to reach over its own tracks. The alignment and the grades of the proposed connecting tracks between the Salt Lake connection on the westerly continuation of Butte street west of Santa Fe avenue to the proposed freight yard between Eighth and Hunter and

Alameda and Lemon streets are shown on the map and profile attached to the application.

The city of Los Angeles has granted to applicant certain franchises and has agreed to close certain streets and alleys as set out in Ordinance No. 37115 (new series), which is also attached to the application.

Under ordinary conditions an application like this one would be considered by the commission solely from the standpoint of public necessity and safety of the individual crossings involved, and the commission's authority would in all probability be granted for the construction of these crossings at grade with the necessary provisions for proper safeguards.

There is, however, in our opinion, a larger question involved here which, it appears to us, must be the controlling factor in the commission's decision in this application at this time.

There are now before the commission seven cases (Cases Nos. 970, 971, 972, 974, 980, 981 and 983) involving the entire railroad situation in Los Angeles, affecting both passenger and freight service and the safety and convenience of freight and passenger traffic by railroad between Los Angeles and other parts of Los Angeles County and elsewhere. In the cases referred to the problems of union passenger station, the rearrangement of freight facilities, joint main line and industrial trackage, grade crossing elimination, electric interurban transit, street railway traffic, and problems of city streets, viaducts, and bridges are at issue. The city of Los Angeles and the Los Angeles and Salt Lake Railroad Company are parties to those proceedings. The commission has held hearings in Los Angeles, and after the decision of the Supreme Court of this state holding that this commission has jurisdiction over the issues presented in these cases, the conclusion has been reached that a comprehensive investigation and a thorough study of this entire transportation problem must be made as the first step in these proceedings. This investigation is now under way.

It therefore becomes of importance to determine what effect an order by the commission granting the application now before us would have on any possible solution of the greater problem. This feature was gone **into at the hearing** in this application in Los Angeles on the eighth instant.

It appears that the present plan of the railroad company involves the expenditure of approximately \$1,000,000.00, and of this estimated amount more than \$100,000.00 has already been expended by the company in the acquisition of rights of way and terminal property.

The railroad company has indicated to the commission its willingness to go ahead with the completion of this particular plan, with the understanding that the company will have to take the risk if in a

general plan to be adopted by the commission later the value of these contemplated expenditures might be jeopardized in whole or in part. It is clear that the railroad company is anxious to carry out its plan immediately and does not desire to be interfered with in the early consummation of its project.

It seems to us that although the commission might make it clear that any money expended now would be spent at the peril of the railroad company, the proposed expenditure is so large and the plan is so comprehensive and will be culminating so rapidly that it must become very difficult, if not impossible, for this commission later on to recommend any steps or to issue any orders which might tend to make worthless the expenditures of these large amounts of money.

Neither can we see how the attitude of a railroad company is a sound and proper one if it is willing to assume the capital expenditure of amounts running into the million, with the possibility in view that an order by the commission might place such expenditures in jeopardy. The contemplated expenditures are all capital expenditures, and it will be extremely difficult, if not impossible, to remove from the capital account of the railroad company expenditures made under the authority of the commission if later on other and better plans may be adopted by the commission.

On this point both the general manager of the railroad company, Mr. H. C. Nutt, as also the company's chief engineer, Mr. Arthur McGuire, testified that a comprehensive treatment of the terminal facilities of the city as a whole might interfere with the railroad company's present plan.

The commission's chief engineer, Mr. Richard Sachse, in answer to a question by the commissioners whether this project if established would in any degree whatever affect any possible readjustment of the freight facilities in Los Angeles, answered that it would.

The commission, of course, has not in mind at this time any particular general plan of freight terminals; but if it is true that the present Salt Lake project with its contemplated numerous grade crossings is intimately and vitally connected with the general Los Angeles transportation problem, then it would seem prudent on the part of the commission not to complicate this situation further by the granting of this application at this time. A postponement of a decision would appear to be wise, especially in view of the fact that the construction of an additional large number of grade crossings of both streets and railroads is involved and also because of the comparatively large amount of capital expenditures made necessary by a consummation of the railroad company's plan.

We recommend that at this time the commission neither deny nor grant this application, but that a decision be postponed until the

investigation into the general transportation situation in Los Angeles has progressed sufficiently to enable the commission to determine whether or not the application should be granted. If the commission adopts this view, we recommend the following form of order:

ORDER.

Los Angeles and Salt Lake Railroad Company, having on July 16, 1917, made application to the commission for permission to cross at grade nine (9) public streets, four (4) steam railway tracks, and one (1) double track street railway; and a public hearing having been held; and it appearing to the commission that this application should not be granted at this time,

It is hereby ordered that a supplemental order will be issued at such time as the commission may be in possession of the necessary information to determine whether or not this application should be granted, and the location, construction, installation and protection of the crossings involved in this application.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of August, 1917.

Decision No. 4553.

IN THE MATTER OF THE APPLICATION OF INDUSTRIAL TERMINAL RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF FIVE HUNDRED SHARES OF CAPITAL STOCK AT A PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 2962.

Decided August 18, 1917.

The commission will not authorize an issue of stock for the purpose of constructing an industrial track when it has pending an investigation into terminal facilities and grade crossing situation in the locality where such construction will be made.

Petition of applicant for permission to issue 500 shares of stock of the par value of \$100.00 per share held in abeyance pending completion of above investigation.

Gurney E. Newlin, for Applicant.

EDGERTON and LOVELAND, *Commissioners*.

OPINION.

In this application the Industrial Terminal Railway Company, a corporation, asks permission to issue five hundred (500) shares of its common stock at a par value of \$100.00 each, and desires to use this

money for the payment of an indebtedness of \$29,321.00, which amount has been spent principally for the purchase of two parcels of right of way, and for legal expenses in connection with twenty-three condemnation proceedings. The balance of \$20,628.58 is to be used to acquire additional rights of way.

On July 26, 1915, this company applied to the commission for permission to issue \$5,500.00 par value of its capital stock for organization expenses and rights of way. The opinion and order covering this application (Decision No. 2832) reviewed the financial history of the company and granted the application. It seems unnecessary in this opinion again to go into the matter of the organization of the company. Since the date of the commission's order, however, on June 16, 1916, the capital stock of the company was increased from \$50,000.00 to \$1,000,000.00, the shares being of a par value of \$100.00 each.

The Industrial Terminal Railway Company proposes to construct in the city of Los Angeles a switching and terminal railroad approximately two miles in length. If the plans of the company are carried out, the line will start at Alameda street at a point about 200 feet north of Aliso street, run in a westerly and northwesterly direction across Ramirez street, Macy street and Lyon street, and across the tracks of The Atchison, Topeka and Santa Fe Railway Company; then across the Los Angeles River and across the tracks of the Los Angeles and Salt Lake Railroad, ending on the south side of Alhambra avenue east of the Los Angeles River. The maps filed with the earlier application (Application 1803) do not show the proposed location of tracks and other facilities, but they do show the right of way as the company is securing it.

In addition to the right of way needed for the main line these maps show right of way for a short spur, 40 feet wide, at right angles to the main line about 250 feet east of Macy street.

If a single track line is laid in the center of the right of way which will be owned by the company as indicated by the map, it will be necessary for this track to cross a spur track of the Southern Pacific just east of Alameda street; three more spur tracks of the same company between the last-mentioned crossing and Ramirez street; two tracks of the Los Angeles Railway Company at Macy street; two spurs of the Santa Fe east of its main line; the main line track of the Santa Fe; two other spurs or switches of the Santa Fe between its main line and the river; and the main line of the Salt Lake Railroad. In addition to these railroad crossings it will be necessary for crossing to be made at Macy street, Ramirez street and Lyon street. The Los Angeles River, as has been shown, will also have to be crossed.

In this application very much the same situation is presented to the commission as in the case of Application 3037, which was heard by the

same commissioners on August 8, 1917, in Los Angeles, together with this application. In the opinion in Application 3037, written today, we stated our view that it would be unwise for the commission at this time to permit a further aggravation of the grade crossing and terminal problem within the city of Los Angeles pending the investigation now being carried on by the commission dealing with the entire passenger and freight terminal and grade crossing situation as presented to the commission in Cases Nos. 970, 971, 972, 974, 980, 981 and 983.

It is true that in this application the commission is not asked to authorize the construction of grade crossings and that the applicant merely asks for authority to issue a comparatively small amount of stock to make available funds for the acquisition of certain rights of way. It is nevertheless a fact that if this application is granted applicant will go ahead with its plans for a terminal railway in the location described when there is a possibility that after a comprehensive investigation by the commission these plans may have to be changed altogether or seriously modified.

In the opinion in Application 3037 we have pointed out—

“that although the commission might make it clear that any money expended now would be spent at the peril of the railroad company, the proposed expenditure is so large and the plan is so comprehensive and will be culminating so rapidly that it must become very difficult, if not impossible, for this commission later on to recommend any steps or to issue any orders which might tend to make worthless the expenditures of these large amounts of money.

“Neither can we see how the attitude of a railroad company is a sound and proper one if it is willing to assume the capital expenditure of amounts running into the million, with the possibility in view that an order by the commission might place such expenditures in jeopardy.

“The contemplated expenditures are all capital expenditures, and it will be extremely difficult, if not impossible, to remove from the capital account of the railroad company expenditures made under the authority of the commission if later on other and better plans may be adopted by the commission.”

Under these circumstances we believe that this application should not be granted nor should it be denied until the commission's investigation in the larger cases has progressed sufficiently to determine whether or not it will be possible to let applicant proceed with his plan; and we recommend the following form of order:

ORDER.

Industrial Terminal Railway Company, having on May 29, 1917, made application to the commission for permission to issue five hundred (500) shares of capital stock at a par value of one hundred (100)

dollars; and a public hearing having been held, and it appearing to the commission that this application should not be granted at this time,

It is hereby ordered that a supplemental order will be issued at such time as the commission may be in possession of the necessary information to enable it to determine whether or not, under the circumstances set forth in the foregoing opinion, it is proper for this capital stock to be authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of August, 1917.

Decisions Nos. 4554 and 4555, grade crossings; not printed. See end of volume.

DECISION No. 4556.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING THE APPLICANT COMPANY TO DISMANTLE AND REMOVE A CERTAIN BRANCH ELECTRICAL TRANSMISSION LINE IN THE COUNTY OF INYO, STATE OF CALIFORNIA.

Application No. 3067.

Decided August 20, 1917.

BY THE COMMISSION.

OPINION.

In this application Southern Sierras Power Company requests authority to abandon and remove a certain electric transmission line in Inyo County extending approximately 14 miles from the Nevada-California Power Company's line in the northeast part of Inyo County to the Loretto Copper Mining Company's mine.

Applicant alleges that service to the mine has been discontinued since September, 1915, and that no revenue has been received from the line since about April 1, 1917; that the line extends through barren and unproductive territory having no industries or residences with the exception of the mine which is not now operating and which has little prospect of operating; that the line is of no value to applicant or the public as it exists and that the cost of maintenance and repairs will be a wasteful and unnecessary expense.

Upon receipt of the application the Loretto Copper Mining Company was notified by the commission of applicant's allegation and requests and there was received by the commission a reply from the Loretto Copper Mining Company by its general manager, Mr. John G. Kirchen, stating that the facts as set forth were correct to the best of

their knowledge and that they waive any and all objection to the power company removing the transmission line.

It appears, under the circumstances, that no hearing is necessary in this matter and that the application should be granted.

ORDER.

Southern Sierras Power Company having applied for authority to abandon and remove that certain transmission line extending from the Northern California Power Company's transmission line a distance of approximately 14 miles to the Loretto Mining Company's mine, all in Inyo County, and it appearing that such request should be granted,

It is hereby ordered that Southern Sierras Power Company be and the same is hereby authorized to abandon and remove said line.

Dated at San Francisco, California this twentieth day of August, 1917.

DECISION No. 4557.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUE OF DEBENTURES AND THE EXECUTION OF AN AGREEMENT SECURING THE SAME.

Application No. 2975.

Decided August 20, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Southern Counties Gas Company of California, petitioner in the above-entitled proceeding, having filed herein its written request that Decision No. 4439, made on July 3, 1917, in the above-entitled proceeding be vacated and set aside and that the above-entitled proceeding be dismissed, and good cause appearing,

It is hereby ordered that the order in said Decision No. 4439 is hereby vacated and set aside and that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twentieth day of August, 1917.

DECISION No. 4558.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR THE FIXING AND CLASSIFICATION OF GAS RATES AND FOR AUTHORITY TO PUT THE SAME INTO EFFECT.

Application No. 1830.

CITY OF LOS ANGELES

vs.

SOUTHERN CALIFORNIA GAS COMPANY AND LOS ANGELES GAS AND ELECTRIC CORPORATION.

Case No. 854.

Decided August 21, 1917.

1. This commission has no power to fix the quality of gas served by a utility within an incorporated municipality when the representatives of the city filing the complaint refuse to bring into question such matter, and also will not concede that the commission has jurisdiction to take action in connection therewith.
2. The commission will not consider a petition of a gas utility to fix rates on gas of a higher heating quality than is at present being served when the utility refuses to agree to serve gas of a higher quality, or to admit that the commission has jurisdiction to compel it so to do.
3. A supply of natural gas received through a pipe line of approximately 100 miles in length is not of sufficient stability as to warrant the commission in omitting the value of an artificial gas generating plant, for, with a service of mixed gas, the artificial plant is in continuous use and with a service of pure natural gas it is necessary as a stand-by.
4. In establishing a rate base the company is permitted a return of 8 per cent on its actual investment, including investments made from depreciation reserve and such money as the company has from time to time invested from earnings.
5. The rate base used in the present instance does not include an item of \$1,000,000.00, claimed by the utility as going concern value, or any other definite item under this heading; consideration, however, has been given to the plant and business as a going and prosperous concern.
6. Depreciation annuity established on the 6 per cent sinking fund basis. When a utility sets aside as a depreciation reserve, amounts in excess of estimated accrued depreciation based on the sinking fund basis herein used, which amounts have been invested in property upon which a return is allowed, the utility is required to contribute to depreciation reserve out of its net earnings 6 per cent upon the estimated accrued depreciation.
7. It is necessary to impose on every service of a utility a minimum contribution, however small, towards the upkeep and maintenance of the system, as the utility must at all times stand ready to render service to whatever extent it is demanded; accordingly a minimum monthly charge for all services is warranted.
8. Costs of service should not be apportioned against individual consumers as to the exact proportion of the cost of giving them service. The burden of gross income should be spread over all consumers, with consideration of all elements involved, including cost of service, ability of consumers to pay and the possibility of increased use through the medium of encouraging rates.
9. The cost of service to consumers in scattered outlying settlements is considerably greater than to consumers in closely built-up communities. The commission is accordingly warranted in establishing higher rates to consumers in outlying territory than to consumers in the city.

10. A utility which can not show that its service to the public has been of unusual benefit to its consumers can not claim an allowance of 1 per cent in excess of an 8 per cent return under the head of efficiencies and economies in the service of gas to its consumers.
11. Revised schedule of rates established covering various classes of service to become effective September 15, 1917.

William A. Cheney, Paul Overton and Herbert J. Goudge, for Los Angeles Gas and Electric Corporation.

Albert Lee Stephens, city attorney, and Charles D. Houghton, deputy city attorney, for city of Los Angeles.

Jared How, for Southern California Gas Company.

Paul Elich, for Municipal League of Los Angeles.

EDGERTON, Commissioner.

OPINION.

In this application Los Angeles Gas and Electric Corporation alleges that the rates now charged by it for the service of gas over its entire system are unreasonably low and prays that the commission fix just and reasonable rates for such service.

A few days after the filing of this application the city of Los Angeles filed a complaint (Case No. 854) alleging that the rates charged for the service of gas in the city of Los Angeles by Los Angeles Gas and Electric Corporation were unreasonably high and prayed that the commission fix just and legal rates for the service of gas by said company in said city.

Shortly before the filing of said complaint Southern California Gas Company filed an application with this commission (Application No. 1853) in which it was alleged that said Southern California Gas Company was supplying gas in the city of Los Angeles and in other communities in southern California at rates which were unreasonably low and prayed that the commission fix just and reasonable rates for the service of gas over its entire system.

The complaint of the city of Los Angeles (Case No. 854) also contained allegations to the effect that the rates charged by Southern California Gas Company for the service of gas in the city of Los Angeles were unreasonably high and prayed that just and reasonable rates be fixed for the service of gas by said company in said city.

Both of the above mentioned applications and the complaint were heard at the same time, under a stipulation, made by all parties, that all evidence introduced under either of said applications or under said complaint could be used by the commission in its decision in each of said matters, in so far as such evidence was applicable or relevant.

It will be the design of this opinion to take up the matters of particular importance for the purpose of clearly indicating the methods

used, and the reasoning indulged in by which the basis is arrived at on which the rates hereinafter found to be reasonable have been fixed.

The commission in this proceeding is limited to the fixing of rates for gas of a quality now being served in the city of Los Angeles. The representatives of the city have not asked the commission to compel the company to serve natural gas or better gas than is now being served; on the contrary, the representatives of the city would not concede that the Railroad Commission had jurisdiction to fix the quality of gas to be served in the city of Los Angeles, and we are led to believe that active opposition would be made by the city if we attempted to exercise this jurisdiction. Hence, by the action of the city itself, the commission is deprived, in this proceeding, of any opportunity to bring about service of better gas.

Of course we must assume that the unwillingness of the representatives of the city to call upon the Railroad Commission to compel the service of better gas is based upon a determination of these same officials to themselves compel this better service, and no doubt the people of the city will expect prompt action in this direction.

The company asks the commission to fix rates on gas of higher heating quality than is now being served, but it refused to agree to serve this better gas and contends that it could not be compelled to furnish consumers with gas of a quality different from that which it is now serving.

This request should be denied. It means, if complied with, that the company would be in a position to select the kind of service it would afford its consumers under the rate which would best serve the company's interest.

In my opinion, public authority should determine the quality of gas to be served and no private corporation should be allowed to prevent the people obtaining the best gas available.

Unfortunately, for the reasons heretofore stated, this commission is in no position, as a result of these proceedings, to compel the service of higher heat unit gas.

Property in use.

In order to determine what property will be used and useful in the service of gas consumers of this company, it becomes necessary to determine whether the artificial gas generating plant of this company should be retained in whole or in part and whether consumers should be called upon to contribute in rates an amount which will represent operating expenses, depreciation and a fair return on the value of this part of applicant's plant.

The city asks the commission to consider whether this artificial gas generating plant is necessary for the service of consumers, and, if found unnecessary, urges that no allowance be made the company in rates, either for the investment in said plant or for its maintenance. The

company vigorously contends that its consumers could not be served adequately, if at all, with gas without the retention and use of the generating plant.

Prior to July 17, 1913, the company generated and distributed artificial gas of a quality of approximately 600 B. t. u. per cubic foot. On that date natural gas became available, as a result of the completion of the Midway transmission line, and the company began serving a mixed gas with about 10 per cent of natural gas and 90 per cent of artificial. This percentage was gradually increased until August, 1914, when the percentage of natural gas in the mixture was brought up to 50 per cent, since which time this percentage has been maintained, excepting during short periods, when, due to the failure of the natural gas supply, the quantity varied; this mixture produces gas of approximately 815 B. t. u. heat content.

The city contends that there is available to this company sufficient natural gas with which it could supply all of its customers and that therefore there is no necessity for the retention of the artificial gas generators. The company insists that it cannot be compelled to serve pure natural gas and that it has the right to continue to serve the 50 per cent mixture, and therefore the production of artificial gas must continue.

It is useless to consider the city's contention that the doctrine of supersession should apply to this artificial gas generating plant because the evidence clearly shows that this plant has not been and will not be superseded. If mixed gas is served, the plant must remain in use all the time. If pure natural gas is served the plant should be maintained ready for service on short notice. The principal supply of natural gas is dependent upon the integrity of a single pipe line, approximately one hundred miles in length, and if the consumers were wholly dependent upon this line for the service of this very essential commodity, the danger of an interruption of service or the diminution of service would be constantly imminent. There has been some experience indicating the danger of relying upon an uninterrupted supply of natural gas. The service of natural gas through the pipe line of the Midway company has been interrupted and serious results would have followed if the artificial plant had been out of commission.

Instead of urging or ordering that this company do away with its artificial gas generating plant, public authority should insist upon its retention, not only as a matter of insurance against unusual interruption of service, but as insurance against a possible and considerable diminution in constant supply.

It follows of course that if this plant is to be retained for the service of the public, the value thereof must be included in the sum upon which a fair return is estimated; also that reasonable depreciation and operating expense be allowed for its maintenance.

I have, therefore, treated the artificial gas generating plant of this company as occupying the same status, for rate fixing purposes, as any other part of its operative gas system.

Rate base.

In arriving at the sum upon which to calculate the fair return to the company, I have used an estimate of original cost of the entire plant which is now found in use and have not depreciated this cost. In other words, I have concluded that the just and reasonable thing to do in this proceeding is to allow the company a return upon its actual investment in this property. This includes money invested regardless of the source from which such money came. For instance, no deduction has been made because a part of the depreciation reserve has been invested in plant nor has any deduction been made because a part of the earnings of the company in times past have been invested in plant.

Reinvested earnings are legally as much a part of the stockholders' equity in the property as is the property represented by a direct investment by the stockholders. No deduction should be made for reinvested depreciation reserve because, in setting up annual depreciation, which must come from the ratepayer from now on, a method has been used which assumes that from the beginning of this plant a sinking fund was set aside for depreciation and such sums were put into this sinking fund out of earnings which, if they at all times earned net 6 per cent would result in an annual depreciation at this time equal to that which has been adopted in this decision. Therefore it follows that if we exclude from investment reinvested depreciation and allow no earning thereon and at the same time charge against the company 6 per cent on its depreciation fund, the company would suffer undue loss.

It may appear that to charge the company with 6 per cent on its depreciation fund when it has earned in the past at least 8 per cent on the money reinvested in plant from this fund, would allow the company a profit of 2 per cent. But, when it is considered that it would be impossible to instantly reinvest every dollar obtained from the ratepayer for depreciation and that undoubtedly a part of this fund remained idle and nonearning for a considerable period, it is altogether probable that the average earning on the reinvested depreciation money was not greatly to exceed 6 per cent.

Early in the proceedings counsel for the gas company, Mr. Herbert J. Goudge, announced a formula which he strongly urged be used by the commission in determining the sum upon which a fair earning would be allowed. His formula was "compensation for the sacrifice."

Mr. Goudge, after criticising various methods of arriving at so-called value in rate fixing proceedings, such as reproduction cost new less depreciation, etc., urges that the true measure of the sum upon which the rate of return should be based is the amount of money or the equiva-

lent of money, which the investor in the public utility property has sacrificed for the purpose of serving consumers.

Mr. Goudge does not use the word "sacrifice" in the ordinary acceptation of that term; for instance, he obviously does not mean to imply that investors have, through a sense of obligation or duty to the public, contributed, never to be regained, a part of their resources. This is clearly indicated in one part of his application of his so-called sacrifice theory where he urges that the full present market value of lands be considered the sacrifice made by investors, and of course if investors are allowed the highest price which now could be obtained by anybody for the sale of lands, no contribution whatever has been made by the investor for the benefit of consumers. Rather, Mr. Goudge's use of the word "sacrifice" is more accurately expressed as meaning a devotion or dedication of money or property to the use of consumers.

He applies this formula quite consistently in considering investment in all of the property of this company except lands. As to all structures, pipes, generating plant, etc., he takes as the sacrifice of the investors the money actually invested. He argues logically that this would of course exclude paying over mains which the company did not pay for; but when he considers land and going concern, he makes his formula mean something entirely different than investment. He then construes it to mean the present market value of property which is devoted to the public use, apparently on the theory that it is not the original sacrifice made by the investor which is to be considered, but is a sacrifice which he is continuously and momentarily making, not of the money which he invested, but of the highest market value of the land which he owns.

Also when it comes to going concern value he doesn't contend that going concern value represents an investment but on the contrary he clearly shows that his conception of going concern value is that it is an intangible property right created by the initiative and ability of the managers of the company. True he argues that this in essence is a sacrifice because these same managers could have used their initiative and ability in other enterprises with a consequent reward; but he entirely overlooks a very obvious answer to this latter contention in that they have been compensated for their activities in salaries, etc. If he means that each investor in the stock of this company should be considered as having created a going concern value by the mere act of his investment, he of course refutes his first contention that it was the activity of individuals, aside from their actual money investment, which created the going concern value.

I am in agreement with Mr. Goudge's formula and I am in further agreement with the very cogent and persuasive elaboration of that formula which appears in that part of his brief relating to the structural

part of his plant, but I insist that the formula should be logically applied to all classes of property belonging to this company, land included, and that no distinction be made between a dollar invested in structural property and a dollar invested in land. Furthermore, I insist that this formula, logically applied, excludes consideration of the company's conception of going concern value. There are other serious objections to the adoption of applicant's claims as to going concern value which will be discussed later.

We are particularly fortunate in this proceeding in that we have before us complete and accurate cost data, which in connection with the very careful inventories prepared and introduced in evidence, together with a conclusion as to proper overheads to be allowed, and which are not clearly indicated in the cost data, enable us to arrive at a very accurate conclusion as to what sum was actually invested in the plant we now find in use for consumers.

Therefore it is my conclusion that in this proceeding it is entirely fair to both the consumers and the utility to allow a return upon the investment in property now in use for service of consumers.

Going concern value.

The company asks that there be considered as a part of the rate base upon which reasonable return is estimated, the sum of \$1,000,000.00 representing an alleged separate value over and above the value of the physical plant used in the service of consumers.

This claim of value is not only in conflict with applicant's sacrifice theory, as it represents no investment or contribution made by officers or stockholders which has not been compensated for, but it rests entirely upon the opinion of one witness that such value exists and is worth \$1,000,000.00.

It is impossible from the evidence to test the soundness of this opinion because this value was not measured by any standard. The witness arrived at this sum, so he stated, by considering the decisions of courts, public utility commissions and his own experiences. The sum of \$1,000,000.00 was not arrived at by taking a percentage of the value of the physical plant nor was it arrived at by determining the expenditure for developing business; in fact, it was arrived at, not by following any method which could be checked step by step, but by a mere generalization. This presentation of going concern value amounts in brief to this: That the witness had read certain commission and court decisions and had had certain experiences of his own; that all of this had an effect on his mind, which resulted in a conclusion that \$1,000,000.00 was the proper sum to set down as the value of the going concern element of this company's property.

This evidence leaves us in a position where we must either accept the conclusion of the witness in its entirety, or to reject it entirely. There

is no possibility of identifying the factors which had a determining influence on his judgment, nor can it be ascertained what weight was given to any of the elements used. The increase or decrease of this sum of \$1,000,000.00 could not be made by adding to or eliminating factors used by the witness nor by modifying the weight given these factors. An increase or decrease of this sum would have to be made on a purely arbitrary basis.

The rate base used in fixing the rates herein does not include this \$1,000,000.00 going concern value claimed by applicant nor does it include any other definite sum for this element. Consideration has been given to the history and present condition of this company's plant and business as a going and prosperous concern.

Depreciation annuity.

As above indicated the depreciation annuity allowance has been designed to produce from consumers a fund which will in the future maintain the company's plant in at least as good service condition as we now find it. No attempt has been made in setting up this depreciation annuity to provide for any difference that may now exist between the original cost of this property and its present depreciated value. It should be remembered that we are now fixing rates and if these rates result in the company continuously receiving from consumers all of its costs of doing business including annual depreciation, plus a fair return upon its entire investment undepreciated, it can not be said that we are depriving the company of anything to which it is justly entitled. It should be remembered in this connection that there has been invested in plant from depreciation reserve an amount in excess of the estimated accrued depreciation.

The depreciation allowance made in this case has been determined upon what generally is known as the 6 per cent sinking fund basis. On this basis, in addition to operating expenses, including a depreciation annuity allowance, interest is allowed on the full investment in, or original cost of the property as distinguished from depreciated value, or cost new less depreciation. On this basis there are two sources from which funds accrue to the reserve to meet replacements or retirements, (1) annual allowance out of operating expenses designated as annuity based on the life of the property, and (2) interest at 6 per cent on the accrued depreciation reserve. The accrued depreciation reserve represents the fund accrued from the above designated sources less retirements from the construction of the plant to date.

In this case the fund has been estimated from the evidence showing the total historical cost of property, average age of different equipment, and estimated average lives.

The annuity which has been allowed as a part of the operating expense in determining the total cost of service represents the aggregate

of the individual annual amounts which, if set aside each year and invested so as to earn 6 per cent compounded annually, will in each case equal the original cost of the individual items at the end of their estimated lives.

It appears from the evidence in this case that the company has earned and set aside as depreciation reserve an amount in excess of the estimated accrued depreciation based upon the sinking fund basis herein used. It further appears that this amount has been invested in property upon which a return is to be allowed. The company should therefore contribute to the depreciation reserve out of its net return 6 per cent upon the estimated accrued depreciation.

Rates.

Having determined the total sum which must be taken yearly from consumers as gross revenue it becomes necessary to spread this burden, in rates, over the various classes of consumers and it is necessary to determine into how many classes the consumers shall be grouped and also to determine the degree of difference in rate there shall be between the various classes.

The company urges that the commission do not spread the burden of this gross income over the service to each group exactly in accordance with the cost of producing such service to such group.

That on the contrary the commission give serious consideration to the needs and condition of the small consumers with a view to lightening their burden by the assessment against larger consumers of a somewhat disproportionate share of the cost of service.

Applicant has never charged what is commonly called a minimum rate; gas has been sold upon a basis of a fixed sum (at present 68 cents) per thousand cubic feet, regardless of the amount consumed, so that the smallest consumer paid exactly the same rate for the gas which he used (and he could use as little as he saw fit) as the larger consumer.

Counsel for the company recognizes that what he calls scientific rate fixing requires that a minimum charge be made for all services; that is to say that if a consumer uses any gas at all he must pay a certain fixed minimum amount, whether he uses gas at established rates to the amount of this minimum or not.

The minimum charge has become so well recognized and established and the arguments and reasons for it have so frequently been set out by this commission that I will not take space here to repeat them. But counsel for the company urges that inasmuch as this company for many years has encouraged the small consumer to use gas and has made no minimum charge, with the result that there are many thousands such small consumers who would be compelled to pay an increased amount if a minimum is imposed, that the sociological feature of the situation should be given consideration and that in any event the commission do

not apportion to these small consumers the full burden of the cost of the service to them.

I believe the contention of counsel is sound, that in rate fixing the so-called sociological feature should be recognized. It would be absurd, merely for the purpose of scientific exactness, to place upon small consumers a burden which they could not bear. This of course would result in their abandoning the service and unless their rates had been causing the company a positive loss their departure from the system would result in increased cost to the remaining consumers.

However, these same sociological conditions exist wherever we find a public utility service, and it has been found not only just, but wise, to impose on every service, however small, some contribution to the upkeep and maintenance of the system.

The evidence in this case discloses some remarkable situations with relation to apartment house gas service which indicate that under the present system of no minimum, gross injustice and inequality has resulted. There are approximately 2,400 meters in apartment houses from which no revenue is obtained. On 50 per cent of the services in apartment houses the monthly gas bills have been less than 30 cents per meter. The average monthly bills from all apartment house meters is less than 60 cents.

As to these apartment houses, the company must stand ready at all times to serve gas to whatever extent is demanded, yet with no assurance that an amount of gas will be used, charges for which will even measurably pay for the cost of service. Of course the inevitable result of this is, unjustly to burden the other consumers who take gas regularly in sufficient quantities to provide adequate compensation for the service.

I can not see why service in an apartment house should not be burdened with a reasonable minimum charge precisely as the service to small cottages should be so burdened. It is not true to say that the apartment is vacant and rented intermittently and that it would be inequitable to apply a minimum; the cottage is subject to vacancy in tenancy the same as the apartment.

The minimum charge for gas service is now almost universally applied; and careful investigation and long consideration has convinced this commission that in a condition such as we find in Los Angeles, a sound schedule of rates must include a minimum charge.

Throughout the hearing and in its brief applicant, by its counsel, objected strenuously to the commission fixing rates based in any degree on the conclusion that lower rates than were now being charged would increase business to such an extent as to offset or more than offset the loss of revenue per thousand cubic feet of gas.

This objection must be disregarded; to agree with counsel would mean that present rates could only be changed by the purely mathematical

process of testing the new rates against past income. Experience has shown that this would in most cases lead to utterly false results. For instance, would it be contended that to double rates would of necessity double income or to cut rates one-half would halve the income?

Obviously the commission must give careful consideration to the effect of changed rates on income and to characterize this consideration as speculation in no wise damns it.

The Municipal League of Los Angeles, by agreement of the parties, and permission of the commission, filed a brief in this proceeding in which it is strongly contended that not only the commission legally could, but should, make a substantial cut in the gas rates of applicant with a view to largely broadening and increasing the use of gas. The argument is that if a substantial reduction in rates is made, several important results will follow, among them being a large increase in the use of gas, especially for industrial purposes which, it is urged, is a progressive and economically sound condition to be brought about.

It is stated that unless the Railroad Commission compels progress in the use of a public utility service stagnation will occur and it will be impossible, except by voluntary act of the companies, to give the citizens the advantage of improvements in the art, or discovery and use of natural resources. We are assured that the company will not suffer any, except a temporary loss of revenue, by reason of the reduction of the price of gas and the service of higher heat units, and that if the commission will recognize any such temporary loss by permitting the addition of such loss to capital account the company will be financially intact and no confiscation will result.

I am in hearty sympathy with the contention that the citizens of a community are entitled to the service of the best gas available. But, as has heretofore been shown, the commission has power in this proceeding to fix rates only on existing quality of service.

There are some relatively large consumers of this company using its gas for commercial purposes and it will be necessary to fix rates with these customers in view.

I have recognized the wholesale principle in fixing the rates for this company to the extent of fixing rates based on blocks or quantities of use, fixing the smallest or lowest block to cover the smallest consumers and graduating the blocks as nearly as possible to accord with the characteristics of the gas business of this company. I have not attempted to apportion against the smallest consumers any exact proportion of the cost of giving them service but rather the burden of the gross income has been spread over all of the consumers with a view to a consideration of all the elements involved, including cost of the service, ability of consumers to bear the burden, and also the possibility of increased use by reason of encouraging rates.

This company serves communities outside and separate from the city of Los Angeles through mains connected with the plant which serves the city, but the cost of service to these smaller communities is obviously greater than the cost of service to the consumers in the compact district of the city of Los Angeles. It has been found by the commission that in all parts of the state of California rates for the service of gas, based on cost, must of necessity be higher in the small communities where consumers are more scattered than in the larger communities where consumers are close together. Hence the rate fixed for these consumers of applicant in the outside territory are higher than those fixed for the consumers in the city.

It will not be necessary in this matter to discuss the evidence with relation to the amount of natural gas available because it is conceded that at least enough natural gas is available to this company to permit the service of the present mixture.

I have disregarded the presentation by the city of an estimate of the cost to build a high pressure distributing system, without artificial gas generating plant, designed to distribute natural gas in the city of Los Angeles. The alleged purpose of the introduction of this estimate was to lay before the commission a basis upon which to estimate the value of the service now being rendered to consumers. The city argued that the company is now entitled in rates to no more than operating expenses, depreciation and fair return on a plant which would render equally good or better service than that which the company is now rendering. This substitutional plant proposed by the city was shown at the hearing to be approximately as costly as the existing plant of applicant.

Furthermore, the design and estimates of the engineers of the Board of Public Utilities were shown to be so full of errors as to make valueless the whole presentation of this substitutional system.

The company asks for a return of 9 per cent net on its so-called sacrifice; that is to say on the undepreciated actual investment in existing structural property, on the full market price of its lands and on a going concern value of a million dollars. This 9 per cent is made up of what is claimed to be the usual allowance of 8 per cent plus 1 per cent for efficiencies and economies in the service of gas to its consumers. In other words, the company claims that it is entitled not only to the usual return but to an additional return as a reward for exceptional activity on behalf of its consumers.

I am frank to say that the evidence does not disclose any facts upon which this company can claim that its attitude toward its consumers and the public has been of such unusual benefit to them that a reward should be allowed.

I take it that the Public Utilities Act wherein it provides that the commission may allow a company to participate in the benefits arising from

economies and efficiencies contemplated a situation, where a company by its own acts, with boldness and initiative and perhaps with some risk to itself, or at least by unusual devotion to the interests of its consumers and to the promotion of progress in its particular business, brought about increased earnings or decreased operating expenses or betterments of service. The history of this company as disclosed by the evidence makes no such showing. The company has proceeded with great caution both in adopting new methods and extending its service.

Its attitude in the present situation clearly shows that it stands firmly on its claimed right to use its own judgment as to whether it will serve gas different in quality than it has been serving, and that it has resisted and will resist any attempt to force or persuade it to change its position in this regard.

With natural gas, which is admittedly of very much higher quality than artificial gas, available for several years, this company has refused and now refuses to make any move in the direction of the use of this better gas, except to mix it half and half with artificial gas. When asked in the hearing if it would undertake to serve natural gas representatives of the company refused to agree to serve higher heat unit gas unless it was first assured of rates which would give it a reasonable return.

This of course meant that the company would be the judge of whether the rates fixed were reasonable, and if for any reason in its judgment the rates were not satisfactory it would refuse to serve the better gas. Surely this unprogressive attitude can not be stamped with the approval of the commission, and a reward be accorded the company on the theory that its attitude toward the consumers and the public has been such as to earn it commendation and unusual compensation.

The whole history of this company, which is clearly set out in the evidence, shows that its earnings have been comfortable and adequate at all times and that, to an unusual degree, it has not been subjected to hazard or risk.

Had this company boldly faced the situation which was presented when natural gas became available to it, and entered upon the service of this gas, thus giving its consumers the best service within its power, I should recommend that serious consideration be given to a plea for comparatively high compensation. But under the circumstances surrounding this case, where the community of Los Angeles largely served by this company has been deprived of the use of a better gas, the commission should not entertain any request for more than the usual compensation.

In fairness it should be said that this company, while very conservative, has kept its plant in excellent condition and has conducted its

business with care and reasonable economy. I have therefore fixed rates which from the evidence will return to this company approximately 8 per cent upon the sum arrived at, as heretofore indicated.

There follows a tabulated summary of the sums used in accordance with the foregoing opinion. Thereafter follows a form of order.

TABLE No. I.
Los Angeles Gas and Electric Corporation Gas Department.
Summary of Rate Base and Depreciation Annuity, 1917.

	Rate base	Depreciation annuity, 6 per cent S. F. basis
Lands and franchises.....	\$146,969 00	
Production	3,226,936 00	\$40,237 00
Distribution	8,451,389 00	149,265 00
General	391,344 00	24,251 00
Working cash capital and material and supplies.....	430,000 00	
Total rate base.....	\$12,946,638 00	\$213,753 00

Estimated accrued depreciation fund January 1, 1917, 6 per cent sinking fund basis, \$1,800,000.

TABLE No. II.
Los Angeles Gas and Electric Corporation.
Estimated Operating Expenses and Total Returns, Including Profit, 1917.
Service of present quality, 815 B. t. u. gas.

Total gas production.....	4,827,164 M cu. ft.
Total gas sales.....	4,296,176 M cu. ft.
Rate base	\$12,946,638 00
Operating expenses—	
Production and transmission.....	\$1,007,505 00
Distribution	242,717 00
Commercial	243,850 00
General other than taxes.....	157,325 00
Total	\$1,651,398 00
Fixed charges—	
Interest at 8 per cent.....	\$1,035,731 00
Depreciation annuity	213,753 00
Total	\$1,249,484 00
Uncollectible bills, .5 per cent.....	15,447 00
Taxes, 5.6 per cent.....	173,003 00
Total return	\$3,089,332 00
Less briquette net revenue.....	65,710 00
	\$3,023,622 00

Average rate per 1,000 cubic feet sold, \$0.7038.

TABLE No. III.

Rate Districts—Los Angeles Gas and Electric Corporation.

DISTRICT No. I.

That portion of the city of Los Angeles designated as follows:

- (a) Original city as incorporated in 1850.
- (b) Extension of June 1, 1869.
- (c) City of Hollywood Addition south of the southern boundary extended of Sec. 4, Twp. 1 S., R. 14 W., S. B. B. and M.
- (d) Colegrove Addition.
- (e) Western Addition.
- (f) University Addition.
- (g) Southern Addition.
- (h) Shoestring Addition north of the center line of Slauson avenue.

DISTRICT No. II.

City of Pasadena east of the center line of the Arroyo Seco Wash and south of the center line of Washington avenue.

DISTRICT No. III.

That part of the city of Los Angeles designated as follows:

- (a) Highland Park Addition.
 - (b) Arroyo Seco Addition.
 - (c) Garvanza Addition.
 - (d) East Hollywood Addition south of San Bernardino Base Line.
 - (e) City of Hollywood Addition not included in District No. I.
 - (f) Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S. B. B. & M.
 - (g) Shoestring Addition north of Manchester avenue and south of Slauson avenue.
 - (h) Bairdstown Addition north of Huntington drive.
- Incorporate territory of—
- (i) City of South Pasadena.
 - (j) City of Alhambra.

DISTRICT No. IV.

1. That part of the city of Los Angeles and city of Pasadena not included in Districts No. I, No. II, and No. III, served by Los Angeles Gas and Electric Corporation.
2. Incorporated territory of—
 - (a) San Marino.
 - (b) San Gabriel.
 - (c) Eagle Rock.
 - (d) Huntington Park.
 - (e) Vernon.
 - (f) Watts.
 - (g) Inglewood.
3. All incorporated and unincorporated territory which is served by Los Angeles Gas and Electric Corporation and not included or listed above in Districts Nos. I, II, and III.

TABLE No. IV.
Gas Rate Schedules.

Territory:

These schedules Nos. 1, 2, 3 and 4 apply to territory as set forth in Districts Nos. I, II, III and IV, respectively.

Character of service:

These schedules apply to domestic and commercial service for lighting, cooking and heating, etc.

Schedule No. 1:

First	5,000 cubic feet per meter per month	68 cents per 1,000 cubic feet
Next	5,000 cubic feet per meter per month	60 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	55 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Schedule No. 2:

First	3,000 cubic feet per meter per month	75 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	65 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	55 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Schedule No. 3:

First	3,000 cubic feet per meter per month	80 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	70 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	60 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Schedule No. 4:

First	3,000 cubic feet per meter per month	85 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	70 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	60 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for an order establishing the rates to be charged by said company for the service of gas to its customers in Los Angeles and adjacent cities and unincorporated territory, and the city of Los Angeles having filed its complaint against the rates and charges of Los Angeles Gas and Electric Corporation for gas served in Los Angeles, and said

proceedings having been consolidated for hearing and decision, briefs having been filed and these proceedings being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rate of Los Angeles Gas and Electric Corporation for the service of gas of approximately 815 B. t. u. per cubic foot heat content at 68 cents per thousand cubic feet, is unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing findings of fact, and on the other findings of fact which are contained in the opinion which precedes this order,

It is hereby ordered that Los Angeles Gas and Electric Corporation file with the Railroad Commission within twenty days after the date of this order, and make effective for meter readings made on and after September 15, 1917, the following schedule of rates for gas:

Gas Rate Schedule No. 1.

Territory:

This schedule applies to Rate District No. I, which includes the following territory:

That portion of the city of Los Angeles designated as follows:

- (a) Original city as incorporated in 1850.
- (b) Extension of June 1, 1869.
- (c) City of Hollywood Addition south of the southern boundary extended of Sec. 4, Twp. 1 S., R. 14 W., S. B. B. & M.
- (d) Colegrove Addition.
- (e) Western Addition.
- (f) University Addition.
- (g) Southern Addition.
- (h) Shoestring Addition north of the center line of Slauson avenue.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First	5,000 cubic feet per meter per month-----	68 cents per 1,000 cubic feet
Next	5,000 cubic feet per meter per month-----	60 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month-----	55 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month-----	50 cents per 1,000 cubic feet
	All over 50,000 cubic feet per meter per month-----	45 cents per 1,000 cubic feet

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 2.

Territory:

This schedule applies to Rate District No. II, which includes the following territory:

City of Pasadena east of the center line of the Arroyo Seco Wash and south of the center line of Washington Avenue.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First	3,000 cubic feet per meter per month	75 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	65 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	55 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 3.*Territory:*

This schedule applies to Rate District No. III, which includes the following territory:

That part of the city of Los Angeles designated as follows:

- (a) Highland Park Addition.
 - (b) Arroyo Seco Addition.
 - (c) Garvanza Addition.
 - (d) East Hollywood Addition south of San Bernardino Base Line.
 - (e) City of Hollywood Addition not included in District No. I.
 - (f) Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S. B. B. & M.
 - (g) Shoestring Addition north of Manchester avenue and south of Slauson avenue.
 - (h) Bairdstown Addition north of Huntington drive.
- Incorporate territory of—
- (i) City of South Pasadena.
 - (j) City of Alhambra.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First	3,000 cubic feet per meter per month	80 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	70 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	60 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	45 cents per 1,000 cubic feet

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 4.*Territory:*

This schedule applies to Rate District No. IV which includes the following territory:

1. That part of the city of Los Angeles and city of Pasadena not included in Districts No. I, No. II and No. III, served by Los Angeles Gas and Electric Corporation.

2. Incorporated territory of—

- (a) San Marino.
- (b) San Gabriel.
- (c) Eagle Rock.
- (d) Huntington Park.
- (e) Vernon.
- (f) Watts.
- (g) Inglewood.

3. All incorporated and unincorporated territory which is served by Los Angeles Gas and Electric Corporation and not included or listed above in Districts Nos. I, II and III.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First	3,000 cubic feet per meter per month-----	85 cents per 1,000 cubic feet
Next	7,000 cubic feet per meter per month-----	70 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month-----	60 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month-----	50 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month-----	45 cents per 1,000 cubic feet

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4559.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN INCREASE IN AND GENERAL ADJUSTMENT OF ITS RATES AND CHARGES FOR NATURAL AND ARTIFICIAL GAS, TO BE SOLD AND DISTRIBUTED BY IT WITHIN PORTIONS OF THE COUNTIES OF LOS ANGELES, SAN BERNARDINO AND RIVERSIDE, IN THE STATE OF CALIFORNIA.

Application No. 1853.

CITY OF LOS ANGELES

vs.

SOUTHERN CALIFORNIA GAS COMPANY AND LOS ANGELES GAS AND ELECTRIC CORPORATION.

Case No. 854.

Decided August 21, 1917.

-
1. The commission refuses to consider a petition of applicant that rates be established for gas of a higher quality than that now being served, when applicant will not

agree to serve a better grade of gas nor will it admit that the commission has jurisdiction to compel it so to do.

2. When a utility is operating under competitive conditions of such a nature that the establishment of rates which would provide a full return upon its investment would deprive it of practically all of its business, the commission has no recourse than to establish the same schedules as have been established for its competitor.
3. Increased schedules of rates established for various classes of service, particularly gas delivered for industrial purposes, which latter service is also conditioned so that service may be discontinued at any time there may be a shortage of natural gas.

Jared How, for Southern California Gas Company.

William Guthrie, city attorney, for city of San Bernardino.

A. Heber Winder, city attorney, for city of Riverside.

Albert Lee Stephens, city attorney, and *Charles D. Houghton*, deputy city attorney, for city of Los Angeles.

William A. Cheney, *Paul Overton* and *Herbert J. Goudge*, for Los Angeles Gas and Electric Corporation.

Paul Elicl, for Municipal League of Los Angeles.

EDGERTON, *Commissioner*.

OPINION.

In this application we are asked to fix the rates for the service of gas to all of the consumers of Southern California Gas Company. The allegation is that the rates are now unreasonably low.

In Case 854 the city complains against the rates charged by this company for the service of gas in the city of Los Angeles and alleges that such rates are unreasonably high and asks that just and reasonable rates be fixed for service in that city.

As explained, in the opinion in Application 1830, this application was heard in connection with Application 1830 and Case 854, but evidence so far has been taken only as relating to the rates charged by Southern California Gas Company to consumers in the city of Los Angeles, and consumers in territory adjacent to the city of Los Angeles, who are served from what may be called the Los Angeles plant.

This company has consumers in San Bernardino, Riverside and adjacent communities, but they are served by an entirely separate plant, and as to the rates of these latter consumers, no hearings have as yet been had. Therefore this opinion and order will deal only with rates for the service of gas to consumers in the city of Los Angeles and vicinity, leaving for later consideration other consumers of applicant.

For the reasons set out in the opinion in Application 1830 I recommend that notwithstanding the fact that applicant has requested that rates be fixed on higher heat unit gas than it is now serving to its domestic consumers, that the commission at this time fix rates only upon the service now being rendered.

Applicant serves in the city of Los Angeles in competition with Los Angeles Gas and Electric Corporation a mixed gas of about equal proportions of artificial and natural which is of about 816 B. t. u. heating value at the rate of 68 cents per thousand cubic feet. Also it serves a few industrial consumers in the city of Los Angeles and the distributing companies in the cities of Long Beach and Redondo and certain industrial consumers outside the city limits of Los Angeles, together with domestic service in the cities of San Fernando, Burbank, and small communities south of the main portion of Los Angeles which are adjacent to its natural gas transmission mains, with pure natural gas.

Because of the competitive conditions it would be impossible for this applicant to conduct its business with success if higher rates were fixed for its service of mixed gas in the city of Los Angeles than have been fixed for the service of gas by Los Angeles Gas and Electric Corporation in an order this day made in Application No. 1830.

Therefore I recommend that the rates of applicant for its service of mixed gas in the city of Los Angeles and vicinity be made the same as have this day been fixed for the competing company, Los Angeles Gas and Electric Corporation.

It is true that these rates will not yield applicant the same rate of return upon its investment as identical rates will yield on the investment of Los Angeles Gas and Electric Corporation. This is true because applicant has not on its system as great a number of consumers as its larger rival nor is its entire service over as congested a territory as the other. The result is that per dollar of its investment its gross income is considerably less than that of the other company.

In view of this situation it would serve no useful purpose to consider at length the investment of applicant. However, in order to determine the result of these rates upon applicant it may be pointed out, if we proceed in the same way in this application as in Application 1830, to arrive at a rate base the investment here would be approximately \$3,150,000.00. However, this figure should not be taken as final. The history of this company has been very different from Los Angeles Gas and Electric Corporation. It has never made an adequate return on investment, and when it becomes necessary to establish a rate base careful consideration should be given to the able presentation by counsel Jared How on behalf of the company for an allowance representing development cost or investment.

Allowing operating expenses as presented by the company and setting up a depreciation annuity on a 4 per cent basis will result in an estimated net earning under the rates set out in the order following of slightly in excess of 6 per cent of the investment.

Four per cent is used in setting up the depreciation annuity in this proceeding because applicant has not made and probably will not soon

make an earning which would make it possible to produce more than 4 per cent on its depreciation reserve.

Applicant serves pure natural gas to certain consumers, and it becomes necessary to fix the rates for this service.

I recommend that the rates established by contract whereby applicant serves the Southern Counties Gas Company for distribution in Long Beach, San Pedro and vicinity, and for distribution in Santa Monica, Sawtelle and Venice, and the Western Fuel, Gas and Power Company for distribution in Redondo and vicinity be left undisturbed. Careful consideration of the terms of these contracts shows that the rates therein established are not unreasonable under all the circumstances, and in view of the further fact that a change of these rates at this time would disturb the rates to consumers in these various communities, I see no purpose to be served in changing them.

The rate fixed in the contract with Southern Counties Gas Company for natural gas delivered wholesale at Long Beach by applicant is 19 cents per thousand cubic feet, but the conditions attached to the delivery of gas are such that the consumer can call only on the supply from the Fullerton fields for gas and there is a certain insecurity in this supply which renders the service less valuable than that which is supplied from the Midway field.

Applicant is serving the Southern Counties Gas Company with a mixed gas of the same quality as is being served in the city of Los Angeles, for distribution in the town of Santa Monica and adjacent communities, including Venice and Sawtelle, at the rate of $27\frac{1}{2}$ cents per thousand cubic feet for natural gas in the mixture and 35 cents per thousand cubic feet for the artificial gas in the mixture. This averages approximately 31 cents per thousand cubic feet for the gas delivered.

Applicant delivers pure natural gas to Western Fuel, Gas and Power Company for distribution in the city of Redondo and vicinity at the rate of $27\frac{1}{2}$ cents per thousand cubic feet.

Applicant is serving domestic consumers in the town of San Fernando with pure natural gas at the present rate of 68 cents, this being the same rate as is now charged consumers in the city of Los Angeles for gas which has only 80 per cent of the heating value of natural gas.

It is obvious that applicant can not serve natural gas in the city of San Fernando at 68 cents per thousand cubic feet and realize the cost of the service. Therefore rates are proposed for this community which are on a block schedule with a top rate which contemplates a more equitable division of the cost of service.

Domestic consumers in the town of Burbank are now receiving natural gas from applicant at the rate of 68 cents. What has been said with

relation to San Fernando applies here and rates are proposed for this community upon a similar block schedule.

The same condition exists and the same rates are proposed for domestic consumers receiving from applicant natural gas in that territory south and west of the city of Los Angeles.

The community of Van Nuys is receiving natural gas from applicant under a block schedule with a top rate of \$1.50 and a minimum of \$1.00 per month.

The conditions here are quite similar to those in the communities just above discussed and therefore a similar rate is proposed.

This leaves for consideration those consumers in Los Angeles and vicinity who use natural gas in considerable quantities for industrial purposes.

In determining the rates for this class of service consideration has been given to the possibility of obtaining business in competition with other forms of fuel, such as oil, and consideration has also been given to the cost to the company of gas supplied to this class of service, and to the fact that this service is subject and secondary to domestic service, and so that in the event of a shortage of natural gas supply the service of these industrial consumers may be decreased or entirely shut off.

It is impossible to make any exact segregation of investment in plant for this particular service.

At present applicant serves two consumers in the city of Los Angeles and several consumers outside of the city of Los Angeles at the rate of 15 cents per thousand cubic feet; this rate is accorded under a contract which provides for a minimum payment of \$150.00 per month, and also provides that the service may be shut off at any time when there is a shortage of natural gas.

As applicant pays 14 cents per cubic feet for this natural gas at Glendale, and must transport it several miles to these consumers, it is obvious at a glance that the one cent difference between the cost of this gas at Glendale and the payment by the consumer is grossly inadequate to pay the cost of this service to the company; taxes or losses alone would equal this one cent, leaving nothing for operating expense or depreciation, to say nothing of return on property.

After considering the situation very carefully I have recommended rates for this natural gas industrial service dependent upon the minimum monthly guarantee.

Much evidence was introduced in the proceeding in an effort to determine the present and probable future supply of natural gas available to applicant.

The evidence clearly shows that from the principal supply of natural gas in the Midway fields which is brought to Glendale by the Midway Gas Company, and from the so-called Fullerton fields, which gas is

brought to Los Angeles by applicant, there is sufficient to supply the requirements of the Los Angeles Gas and Electric Corporation under present conditions, to supply the amount now mixed with artificial gas and served to domestic consumers by applicant, and except for possibly two or three months in the year, to supply pure natural gas to all of the distributing companies served by applicant and also its industrial consumers.

In fact, applicant will have available enough natural gas under present conditions so that it will be able to largely increase its industrial business except for the three possible colder months in the year.

There follows a tabulated summary of the sums used in accordance with the foregoing opinion. Thereafter follows a form of order.

TABLE No. I.
Southern California Gas Company—Los Angeles Division.
Summary of Base Rate and Depreciation Annuity, 1917.

	Rate base	Depreciation annuity, 4 per cent S. F. basis
Lands and franchises -----	\$122,608 00	
Production -----	454,853 00	\$7,705 00
Transmission -----	602,880 00	14,636 00
Distribution -----	1,718,674 00	48,057 00
General -----	84,185 00	6,385 00
Working cash capital and material and supplies -----	161,000 00	
Total rate base -----	\$3,144,200 00	\$76,783 00

Estimated accrued depreciation fund January 1, 1917, 4 per cent S. F. basis,
\$393,750.00.

TABLE No. II.
Rate Districts—Southern California Gas Company.

DISTRICT No. I.

That portion of the city of Los Angeles designated as follows:

- (a) Original city as incorporated in 1850.
- (b) Extension of June 1, 1869.
- (c) City of Hollywood Addition south of the southern boundary extended of
Sec. 4, Twp. 1 S., R. 14 W., S. B. B. & M.
- (d) Colegrove Addition.
- (e) Western Addition.
- (f) University Addition.
- (g) Southern Addition.
- (h) Shoestring Addition north of the center line of Slauson avenue.

DISTRICT No. II.

That part of the city of Los Angeles designated as follows:

- (a) Highland Park Addition.
- (b) Arroyo Seco Addition.
- (c) Garvanza Addition.
- (d) East Hollywood Addition south of San Bernardino Base Line.
- (e) City of Hollywood Addition not included in District No. I.

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DISTRICT No. II—Continued.

- (f) Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S. B. B. and M.
 - (g) Shoestring Addition north of Manchester avenue and south of Slauson avenue.
 - (h) Bairdstown Addition north of Huntington drive.
- Incorporated territory of—
- (i) City of Glendale.
 - (j) City of Tropic.

DISTRICT No. III.

That part of the city of Los Angeles not included in districts Nos. I and II served by Southern California Gas Company.

Incorporated territory of—

- (a) Eagle Rock.
- (b) Vernon.
- (c) San Fernando.
- (d) Burbank.
- (e) Compton.

All incorporated and unincorporated territory which is served by Southern California Gas Company and not included or listed in Districts Nos. I and II.

ORDER.

Southern California Gas Company having applied to the Railroad Commission for an order establishing the rates to be charged by said company for the service of gas to its customers in Los Angeles and adjacent cities and unincorporated territory, and the city of Los Angeles having filed its complaint against the rates and charges of Southern California Gas Company for gas served in the city of Los Angeles, and said proceedings having been consolidated for hearing and decision, briefs having been filed and these proceedings being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rates of the Southern California Gas Company for gas service are unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing finding of fact and the other findings of fact which are contained in the opinion which precedes this order,

It is hereby ordered that the Southern California Gas Company file with the Railroad Commission within twenty days after the date of this order, and make effective for meter readings made on and after September 15, 1917, the following schedule of rates for gas:

Gas Rate Schedule No. 1.***Territory:***

This schedule applies to Rate District No. I, which includes the following territory: That portion of the city of Los Angeles designated as follows:

- (a) Original city as incorporated in 1850.
- (b) Extension of June 1, 1869.
- (c) City of Hollywood Addition south of the southern boundary extended of Sec. 4, Twp. 1 S., R. 14 W., S. B. B. & M.
- (d) Colegrove Addition.

- (c) Western Addition.
- (f) University Addition.
- (g) Southern Addition.
- (h) Shoestring Addition north of the center line of Slauson avenue.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First 5,000 cubic feet per meter per month-----68 cents per 1,000 cubic feet.
 Next 5,000 cubic feet per meter per month-----60 cents per 1,000 cubic feet.
 Next 15,000 cubic feet per meter per month-----55 cents per 1,000 cubic feet.
 Next 25,000 cubic feet per meter per month-----50 cents per 1,000 cubic feet.
 All over 50,000 cubic feet per meter per month---45 cents per 1,000 cubic feet.

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 2.*Territory:*

This schedule applies to Rate District No. II, which includes the following territory:

That part of the city of Los Angeles designated as follows:

- (a) Highland Park Addition.
- (b) Arroyo Seco Addition.
- (c) Garvanza Addition.
- (d) East Hollywood Addition south of San Bernardino Base Line.
- (e) City of Hollywood Addition not included in District No. I.
- (f) Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S. B. B. and M.
- (g) Shoestring Addition north of Manchester avenue and south of Slauson avenue.
- (h) Bairdstown Addition north of Huntington drive.

Incorporated territory of—

- (i) City of Glendale.
- (j) City of Tropic.

Character of service:

This schedule applies to sale of "815 B. t. u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First 3,000 cubic feet per meter per month-----50 cents per 1,000 cubic feet.
 Next 7,000 cubic feet per meter per month-----70 cents per 1,000 cubic feet.
 Next 15,000 cubic feet per meter per month-----60 cents per 1,000 cubic feet.
 Next 25,000 cubic feet per meter per month-----50 cents per 1,000 cubic feet.
 All over 50,000 cubic feet per meter per month---45 cents per 1,000 cubic feet.

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 3.*Territory:*

This schedule applies to Rate District No. III, which includes the following territory:

1. That part of the city of Los Angeles not included in Districts I and II served by Southern California Gas Company.
2. Incorporated territory of—
 - (a) Eagle Rock.
 - (b) Vernon.
3. All incorporated and unincorporated territory which is served by Southern California Gas Company, and not included or listed in Districts I and II.

Character of service:

This schedule applies to sale of "815 B.t.u." gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First 3,000 cubic feet per meter per month-----	85 cents per 1,000 cubic feet.
Next 7,000 cubic feet per meter per month-----	70 cents per 1,000 cubic feet.
Next 15,000 cubic feet per meter per month-----	60 cents per 1,000 cubic feet.
Next 25,000 cubic feet per meter per month-----	50 cents per 1,000 cubic feet.
All over 50,000 cubic feet per meter per month---	45 cents per 1,000 cubic feet.

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule No. 4.**NATURAL GAS.***Territory:*

This schedule applies to all territory not included in Districts Nos. I and II served with natural gas, including:

Incorporated territory of—

San Fernando.
Burbank.
Compton.

Character of service:

This schedule applies to sale of natural gas for domestic and commercial service for lighting, cooking, heating, etc.

Rate:

First 5,000 cubic feet per meter per month-----	85 cents per 1,000 cubic feet.
Next 5,000 cubic feet per meter per month-----	75 cents per 1,000 cubic feet.
Next 15,000 cubic feet per meter per month-----	65 cents per 1,000 cubic feet.
Next 25,000 cubic feet per meter per month-----	55 cents per 1,000 cubic feet.
Next 50,000 cubic feet per meter per month-----	45 cents per 1,000 cubic feet.
All over 100,000 cubic feet per meter per month---	40 cents per 1,000 cubic feet.

Minimum bill:

Minimum monthly bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 35 cents.

Minimum monthly bill per meter for domestic and commercial service other than above, 50 cents.

Gas Rate Schedule S-1.**SURPLUS NATURAL GAS.***Territory:*

This schedule applies to entire territory traversed by natural gas mains where capacity of mains is sufficient to supply demands without detriment to existing service.

Character of service:

This schedule applies only to the sale of excess natural gas for industrial use in internal combustion engines, and for industrial use in packing houses, canneries, ice plants, laundries, machine shops, foundries, etc., whose hours or period of heavy demand, if any, are not coincident with the heavy demand of the domestic consumers. This is not applicable to heating of hotels, apartments, flats or residences. Service is subject to discontinuance without notice in case of shortage of gas, in which case service to domestic and commercial consumers and service to other utilities for domestic and commercial consumers shall have precedence over this service.

Rate:

Where the consumer guarantees a monthly minimum of \$75.00 the rate shall be 30 cents per 1,000 cubic feet.

Where the consumer guarantees a monthly minimum of \$150.00 the rate will be 25 cents per 1,000 cubic feet.

Where the consumer guarantees a monthly minimum of \$200.00 the rate will be 20 cents per 1,000 cubic feet.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California this twenty-first day of August, 1917.

DECISION No. 4560.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER COMPANY FOR AUTHORIZATION TO ISSUE PROMISSORY NOTES AND PLEDGE BONDS TO SECURE THE SAME.

Application No. 3088.

Decided August 21, 1917.

Applicant authorized to issue \$3,500,000.00 face value of its promissory notes dated September 1, 1917, to mature March 1, 1918; also to issue and pledge as security therefor \$4,100,000.00 face value of its general mortgage bonds. Of the notes, \$3,000,000.00 to be discounted at the rate of 5½ per cent per annum in lieu of interest, to be sold at par and proceeds used to discharge a like face value of outstanding notes, the balance of notes to be issued at par, proceeds to be used to reimburse applicant's treasury covering capital expenditures heretofore made.

John E. Bchan, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

In this application, Spring Valley Water Company asks authority to issue \$3,500,000.00 of promissory notes and to secure the payment of the

same by pledging \$4,100,000.00 of its general mortgage 4 per cent bonds due December 1, 1923. The notes are to be dated September 1, 1917, and mature March 1, 1918. Notes in the sum of \$3,000,000.00 applicant proposes to discount on September 1, 1917, at the rate of $5\frac{1}{2}$ per cent per annum in lieu of interest thereon, while the remaining \$500,000.00 of notes it proposes to issue at par with interest at the rate of $5\frac{1}{2}$ per cent.

The proceeds obtained through the issue of \$3,000,000.00 of notes, applicant desires to use to pay in part the \$2,500,000.00 of two-year collateral trust notes due September 1, 1917, and the \$500,000.00 of notes issued pursuant to this commission's Decision No. 3970, dated December 29, 1916. Applicant proposes to draw upon its surplus earnings to pay the difference between the \$3,000,000.00 of notes, which it proposes to pay, and the cash realized from the issue of the new \$3,000,000.00 six-months note discounted at the rate of $5\frac{1}{2}$ per cent per annum.

In Exhibit No. 1, applicant reports its assets and liabilities as of June 30, 1917 as follows:

<i>Assets.</i>	
Real estate, water rights, right of way, and other properties	\$68,814,197 94
General mortgage gold bonds "1923" in treasury, including \$3,884,000.00 pledged	6,262,000 00
Materials, supplies and equipment	279,920 02
Consumers accounts receivable	117,169 28
Other accounts and notes receivable	32,100 53
Cash on hand and in banks	125,145 15
Proceeds from sale of real estate, deposited with Union Trust Company of San Francisco, trustee	296,815 47
Contingent assets	2,293,754 67
Total assets	\$78,221,103 06
<i>Liabilities.</i>	
Capital stock outstanding	\$28,000,000 00
Surplus capital contributed by shareholders	810,000 00
General mortgage 4 per cent gold bonds "1923"—	
In hand of public	\$17,859,000 00
In treasury of company	6,262,000 00
	24,121,000 00
Two-year collateral trust notes, due September 1, 1917	2,500,000 00
Current liabilities	1,047,948 64
Twin Peaks Ridge tunnel liability	944,533 03
Depreciation and obsolescence fund	3,193,114 33
Contingent liability	2,293,754 67
Employees insurance fund	38,819 86
Undistributed proceeds of sale of portions of Coyote and Portola properties	19,049 76
Capital surplus, revaluation and additions to capital assets	14,527,379 82
Surplus	695,502 95
Total liabilities	\$78,221,103 06

The \$2,293,754.67 reported as a contingent asset and liability represent the amount and accrued interest thereon, deposited by the company

pursuant to an order of the federal court enjoining the city and county of San Francisco to enforce certain water rates. The rate litigation is still pending.

For the years ending December 31, 1915 and 1916, and for the six months ending June 30, 1917, applicant has reported revenues and expenses as follows:

	Six months ending June 30, 1917	1916	1915
Operating revenues	\$1,771,348 28	\$3,509,784 48	\$3,512,795 50
Operating expenses	871,909 93	1,683,270 89	1,643,885 18
Net operating revenues.....	\$896,378 35	\$1,826,513 59	\$1,878,910 32
Miscellaneous income—			
Rents	\$31,826 35	\$118,826 13	\$109,661 82
Interest on impounded moneys.....	26,778 38	64,282 44	53,499 30
Sale of real estate, etc.....	69,037 79		
Miscellaneous		1,645 41	1,441 16
Totals	\$127,632 52	\$183,763 98	\$164,602 28
Gross income	\$1,024,030 87	\$2,010,277 57	\$2,043,512 60
Deductions—			
Interest	\$395,858 65	\$792,031 71	\$776,079 09
Uncollectible bills	1,870 74	6,505 67	2,336 79
Rent expenses		35,224 63	17,624 69
Nonoperating taxes		25,029 59	21,404 76
Amortization of debt discount and expense		48,575 44	23,629 20
Contingent liability	21,636 27	46,737 15	290,323 88
Miscellaneous nonoperating expenses.....		1,895 15	2,363 76
Miscellaneous	1,798 73		134 49
Total deductions	\$421,161 39	\$955,999 31	\$1,133,896 66
Surplus earnings for year.....	\$602,866 48	\$1,054,278 23	\$909,615 94

The operating expenses as reported in the foregoing table for 1915 include \$260,000.00 for depreciation, in 1916 \$288,000.00, and for the six months ending June 30, 1917, \$144,000.00.

In this application, applicant reports capital expenditures from December 1, 1916, to June 30, 1917, as follows:

City distribution mains	\$23,252 12
Service connections	13,830 10
Meters installed in San Francisco.....	138,288 70
Meters installed outside of San Francisco.....	506 66
Calaveras dam	290,641 38
Purchase of 40 acres in Calaveras reservoir.....	1,637 00
Pleasanton Township County Water District reservoir and equip- ment installation	41,193 52
Pleasanton improvements, drainage and irrigation.....	8,615 08
Sunol improvements	2,376 24
San Antonio dam, exploration and roads.....	3,215 97

Crystal Springs reservoir, roads, etc.....	\$11,773 39
San Andreas aqueduct, new concrete outlet.....	8,651 37
Street assessment work, San Francisco.....	12,100 51
Lake Merced roads and septic tanks.....	2,727 37
New garage and machine shops, San Francisco.....	1,965 31
Lake Honda transmission line, Claremont court.....	968 92
San Andreas transmission line, new trestle.....	899 87
San Andreas reservoir improvements.....	218 90
Hydrographic installation and equipment.....	446 08
Ravenswood pump, additions to cottage.....	256 22
City reservoir	94 20
Telephone line, Pleasanton and Sunol.....	68 07
Forest Hill pump, installation safety devices.....	38 40
Millbrae station trestle.....	7 27
	<hr/>
	\$563,772 65
Credit:	
Stone Dam aqueduct and Woodside subdivision.....	52 47
	<hr/>
	\$563,720 18
Twin Peaks Ridge Tunnel Assessment No. 3.....	197,252 71
Twin Peaks Ridge Tunnel Assessment No. 4.....	188,400 76
	<hr/>
	\$949,373 65

Applicant further reports that pursuant to Decision No. 3970, dated December 29, 1916, it has issued notes in the amount of \$500,000.00 to reimburse its treasury in part for capital expenditures from October, 1915, to December 1, 1916, said expenditures amounting to \$941,522.70, and that the total capital expenditures of June 30, 1917, for which applicant's treasury has not been reimbursed, amounts to \$1,390,896.35.

I recommend that the application be granted and herewith submit the following form of order:

ORDER.

Spring Valley Water Company having applied to this commission for authority to issue \$3,500,000.00 of promissory notes and to pledge as security therefor \$4,100,000.00 face value of its general mortgage 4 per cent bonds due December 1, 1923, and a hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said notes, and the pledging of said bonds is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Spring Valley Water Company be and it is hereby granted authority to issue its promissory notes in the sum of \$3,500,000.00, said notes to be dated September 1, 1917, and to mature March 1, 1918.

It is hereby further ordered that Spring Valley Water Company be and it is hereby granted authority to issue and pledge as security for the payment of said \$3,500,000.00 of notes, hereby authorized to be issued, its general mortgage 4 per cent bonds in the aggregate sum of \$4,100,000.00.

The authority hereby given to issue said notes and bonds and to pledge said bonds is given upon the following conditions and not otherwise:

1. Of the notes hereby authorized to be issued \$3,000,000.00 face value shall be issued by applicant at a discount of $5\frac{1}{2}$ per cent per annum, such discount being in lieu of interest thereon, and \$500,000.00 of said notes shall be issued at par and to bear interest at the rate of $5\frac{1}{2}$ per cent per annum.

2. The bonds hereby authorized to be pledged shall be pledged in such amounts that the face value of the notes shall never be less than approximately 85.3 per cent of the face value of the bonds pledged to secure the payment of the same.

3. The proceeds obtained from the issue of \$3,000,000.00 of notes hereby authorized to be issued shall be used to redeem in whole or in part the \$2,500,000.00 of two-year collateral trust notes due September 1, 1917, and the \$500,000.00 of notes issued pursuant to this commission's Decision No. 3970, dated December 29, 1916.

4. \$500,000.00 of the notes hereby authorized to be issued shall be used by applicant to reimburse its treasury for moneys expended for capital purposes prior to June 30, 1917.

5. After the notes hereby authorized to be issued shall have been paid, the bonds hereby authorized to be pledged to secure said notes shall be returned to applicant's treasury and issued thereafter only upon order of this commission.

6. On or before the twenty-fifth day of each month, applicant shall file with this commission statements as required by this commission's General Order No. 24, said order in so far as applicable, being made a part of this order.

7. The authority hereby granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act, as amended.

8. The authority hereby granted shall apply only to such notes and bonds as may be issued or pledged on or before February 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4561.

VALLEJO ELECTRIC LIGHT AND POWER COMPANY

vs.

GREAT WESTERN POWER COMPANY.

Case No. 1066.

Decided August 21, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Vallejo Electric Light and Power Company having filed with the commission written notice, under date of August 13, 1917, stating that the above-entitled complaint had been settled; and

Whereas the matters involved in this complaint were taken up and decided in Application No. 2945, Decision No. 4438, rendered on July 3, 1917,

It is hereby ordered that the above-entitled complaint be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4562.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE AMENDMENT AND INCREASE OF ITS RATES FOR ELECTROLIER SYSTEM METER RATE.

Application No. 3074.

Decided August 21, 1917.

BY THE COMMISSION.

ORDER.

San Joaquin Light and Power Corporation having filed its petition for an order authorizing said company to amend and increase its Schedule No. 3-A, being an electric rate schedule for the service of electrolier systems, as set forth in the petition herein, and to establish in lieu of the existing schedule the amended schedule as hereinafter set forth; and

Whereas the original Schedule No. 3-A was established voluntarily by petitioner, and the amended schedule is practically equal to Schedule No. 2 of petitioner, which schedule was fixed by this commis-

sion and is applicable to electrolier service, and no consumers have been or are now obtaining electrolier service under this schedule; and

Whereas the commission is of the opinion that a public hearing is not necessary in this proceeding, and that the authority asked for should be granted, subject to any action which the commission may hereafter take with reference thereto upon its own initiative or upon complaint,

It is hereby ordered that San Joaquin Light and Power Corporation be and the same is hereby authorized to withdraw its present Schedule No. 3-A for electrolier meter service and establish and make effective in lieu thereof its amended Schedule No. 3-A, which is as follows:

SCHEDULE No. 3-A.

Electrolier System Service.

METER RATE.

This schedule is applicable to electrolier systems used for street and other outdoor illumination receiving energy at a central point and at the primary voltage of the company's distributing mains prevailing in the district in which the electrolier system is located.

First 50 kilowatt hours per month per kilowatt of measured maximum demand, 4 cents per kilowatt hour.

Next 75 kilowatt hours per month per kilowatt of measured maximum demand, 2 cents per kilowatt hour.

Over 125 kilowatt hours per month per kilowatt of measured maximum demand, 1 cent per kilowatt hour.

Yearly minimum charge, \$26.00 per kilowatt installed.

Watt-hour meters and all necessary watt-demand indicators will be installed and maintained by the company at its own expense.

The monthly measured maximum demand shall be the greatest average kilowatt demand delivered during any fifteen (15) minute interval during the month.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4563.

J. O. MCINTIRE ET AL.

vs.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 1074.

Decided August 21, 1917.

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1. A telephone company is justified in drawing distinct lines between two different exchange areas and in refusing to serve a subscriber out of a particular exchange

- when such subscriber's residence or place of business is located in the area served by another exchange.
2. A telephone utility is required to establish twenty-four hour service, **Sundays** and holidays not excepted, when it shall have connected to an exchange not less than 80 subscribers.
 3. Defendant required to render service through its **Hanford exchange to such of the complainants who properly reside within the area served by such exchange.**

R. Justin Miller and Sidney J. W. Sharp, for Complainants.

James T. Shaw, for Defendant.

GORDON, Commissioner.

OPINION.

The complainants herein are farmers residing in a section of country located along the Kings River and between the city of Hanford in Kings County and the towns of Laton and Riverdale in Fresno County. The complaint alleges that during the month of March, 1917, or thereabouts, complainants proceeded, after certain representations had been made to them by defendant's representative at Hanford, with the preliminary organization of a cooperative association and subscribed a certain sum of money for the purpose of constructing telephone lines and connecting telephones at their various farms with defendant's telephone exchange in the city of Hanford. The money which was subscribed for this purpose has been deposited in a local bank. The complaint also recites that since these preliminary steps were taken connection at Hanford has been denied for the alleged reason that defendant has arbitrarily fixed certain boundary lines dividing the territory between Hanford, Laton and Riverdale, within which boundaries it will not permit the connection of lines except from the exchange located within its prescribed territory. The Railroad Commission is, therefore, asked to issue its order requiring defendant, upon completion of the proposed lines, to permit the desired connection, and fixing rates to be charged for the service.

Defendant, The Pacific Telephone and Telegraph Company, has filed its formal answer making general denial of all of the principal allegations of the complaint.

A hearing was held by the commission on July 6, 1917, at Hanford and the case submitted. Since the hearing, counsel for complainants has requested and been granted permission to file a brief of authorities. This brief and defendant's answering brief have since been filed and the matter is now ready for decision.

The Pacific Telephone and Telegraph Company operates a separate telephone exchange at each of these points, viz, Hanford, Laton, and Riverdale. Hanford is the county seat of Kings County. In point of population and commercial and other development, it is considerably in

advance of Laton and Riverdale. On May 31 of this year, the total number of telephones connected with the Hanford telephone exchange was 1,474 as against 65 at Laton and 67 at Riverdale. Continuous service during the twenty-four hours of each day is maintained at the Hanford exchange, while at Laton and Riverdale service is maintained during only a portion of these hours. Prior to the filing of this complaint the hours of service at Laton were from 8 a.m. to 8 p.m., Sundays and holidays excepted. On Sundays and holidays, the office was closed. Since the complaint was filed, the hours have been extended from 7 a.m. to 10 p.m., Sundays and holidays excepted, when the office is open from 10 a.m. until noon and from 2 to 3 p.m. Testimony was offered by complainants to the effect that by reason of this difference in hours of service and by reason of the fact that their business is transacted chiefly at Hanford, service at either Laton or Riverdale is not desirable. It is also alleged that operators at Laton do not promptly answer calls and that considerable time is lost in completing long distance calls, and that for these reasons also service at Laton is not satisfactory.

The Kings River, along which complainants' farms are located, extends in a southwesterly direction through the territory in which telephone service is provided by defendant from these three exchanges and forms a natural boundary for the territory lying between it and Hanford and the territory lying between it and Laton and Riverdale. Following the agricultural and commercial development of the entire section of country surrounding these communities, the defendant has established a telephone exchange at each of these places and has adopted the line of the river as a dividing line between the territory on either side. That portion of the territory north and west of the river is served partly from Laton and partly from Riverdale. That on the south and east is served from Hanford. All of defendant's lines and all farmer lines heretofore serving these communities have been laid out and constructed in accordance with this territorial division.

A number of the complainants are located in territory which is now served from the Hanford exchange. As to this number defendant offers no objection to the desired connection at Hanford. The majority, however, are located within territory which is now served from the Laton exchange. As to these the defendant is unwilling that connection be allowed except from Laton. Of the latter number, the one located nearest to Hanford is located approximately four miles nearer to Laton than he is to Hanford, while the farthest from Laton is located about three miles nearer to Laton than he is to Hanford. The remaining complainants, other than those whom defendant is willing should connect at Hanford, are correspondingly nearer to Laton than to Hanford.

Except as to the circumstances which complainants urge as justifying the demand for direct Hanford connection, viz, the hours of service and other objectionable service conditions at Laton, there is apparently no reasonable doubt as to the justice of the position which the defendant has taken. The necessity inherent in the telephone business of maintaining reasonable territorial boundaries, not only for the economical distribution and maintenance of facilities, but in the interest of the service itself is, we believe, so apparent that it will hardly be questioned.

The efficiency and adequacy of the service are matters of vital importance to the merits of this case. As to the hours during which service is available at Laton, it has been pointed out that since this complaint was filed with the commission, defendant has extended the hours previously maintained. Defendant maintains, however, that neither the present income from this exchange nor the present necessity for continuous twenty-four hour service is sufficient to justify the expense which a continuous service would involve, but has given its assurance that it is ready and willing to meet all reasonable service requirements.

Since this case was heard, five additional telephones, lines for which were then under construction, have been connected with the Laton exchange. Defendant has also informed the commission that there are fourteen other parties, exclusive of complainants, who desire Laton service. These telephones, if connected, will bring the total connected at Laton up to 82 telephones. Considering only the amount of increased revenue which these additional telephones would produce, it is perhaps doubtful whether it would be sufficient to justify the additional expense for operators' salaries which the establishment of twenty-four hour service would entail. However, considering the present income, together with this probable increase, it does not appear that an unreasonable burden would be added to the present expenses of operation if the defendant were required to provide twenty-four hour service.

If adequate and efficient service were made available at Laton, it seems entirely reasonable to assume, as to those of complainants who are located within the territory which defendant now serves from Laton, that all reasonable service requirements would be satisfied if Laton service were provided. The contention of complainants that direct connection at Hanford is necessary by reason of the fact that their business is transacted chiefly at that place does not appear to be fully justified at least so far as those of complainants who are within the Laton exchange area are concerned. The defendant operates toll lines between Laton and Hanford and service to Hanford would be available by this means if their lines were connected at Laton. It is, of course, true that in that event they would be required to pay toll charges for this service, but in cases such as the one here under consideration, this

is not a reasonable objection. If, however, efficient and adequate service is not available at Laton, it would be unreasonable to deny complainants the right to access to better service which is available elsewhere. While at other exchanges similar in number of subscribers to Laton exchange, other conditions may not be such as to justify the additional expense incident to extending the hours of service, and while for this reason the order herein should not be considered as establishing a precedent to be followed in other cases, provision will be made herein requiring the establishment of twenty-four hour service at Laton as soon as conditions will reasonably justify.

Regarding the general effect which the connection of complainants' lines at Hanford would have upon service and rates of the Hanford and Laton exchanges: There are now numerous farmer line subscribers of Laton exchange who are located within that portion of territory situated north and west of the Kings River in which a majority of the complainants are located. With comparatively few exceptions, it is the universal practice among telephone companies to provide unlimited or so-called "free switching" between subscribers paying flat rates within the same exchange service area, and in most instances to charge tolls between subscribers of one exchange service area and those of another. In this case, if the desired connection at Hanford were to be made a discriminatory exception to this general practice would result, both with reference to unlimited switching and to the payment of toll charges. Unlimited "free switching" between subscribers connecting at Laton would continue, but for switching between complainants who are within the Laton exchange area and others within the same area but connected at Laton, tolls would be charged. For switching between complainants who are within the Laton exchange area and subscribers at Hanford, free switching would be had, but for switching between other stations within the same area and Hanford tolls would be charged. In like manner, dissimilar toll charges as between these particular complainants and others within the same area would result on all long distance calls to and from all points beyond Hanford and Laton.

Complainants' brief as filed refers, among other things, to three other matters heretofore decided by the Railroad Commission, as follows:

"George E. Small et al. vs. The Pacific Telephone and Telegraph Company," Opinions and Orders of the Railroad Commission of California, Volume 7, page 552:

"M. Farrell et al. vs. The Pacific Telephone and Telegraph Company," Opinions and Orders of the Railroad Commission of California, Volume 3, page 1182, and

"Application of Deer Creek Rural Telephone Company to sell, and of The Pacific Telephone and Telegraph Company to purchase telephone property at Terra Bella," etc., Opinions and Orders of the Railroad Commission, Volume 4, page 75.

The two latter cases cited, viz, *Farrel vs. Pacific Tel. and Tel. Co.* and *Deer Creek Rural and Pacific Tel. and Tel. Co.*, are not in point since they presented issues entirely dissimilar to the issues which are presented in the present case. In the case of *Small vs. Pacific Tel. and Tel. Co.*, the point directly at issue, viz. the establishment and maintenance of exchange service boundaries, was identical to that involved in the present case. In that case, the commission recognized the reasonableness of maintaining such boundaries.

Under all of the circumstances hereinbefore referred to, the following order is recommended:

ORDER.

Formal complaint having been filed with the Railroad Commission by *J. O. McIntire et al.*, Complainants, vs. *The Pacific Telephone and Telegraph Company*, a corporation, Defendant, asking that the Railroad Commission issue its order requiring defendant to permit the connection at its Hanford exchange of certain farmer telephone lines which complainants desire to construct, and to provide telephone service thereby through said Hanford exchange, and further asking that the Railroad Commission fix the rates to be charged therefor, and a public hearing having been held, and the commission being fully apprised in the premises, it is hereby ordered as follows:

(1) That as to those complainants who are located in that section of territory lying south and east of Kings River, within which territory telephone service is now provided by defendant from its Hanford telephone exchange, the defendant herein shall, upon the completion by said complainants of the necessary connecting lines and upon receipt from complainants of applications for service in the form provided for in defendant's rules and regulations now on file with the Railroad Commission, provide the said complainants with connection and service through its Hanford telephone exchange.

(2) That defendant herein shall, within not less than fifteen days after there shall have been connected and receiving service through its Laton exchange not less than eighty subscribers' telephone stations, exclusive of extension telephones, establish and place in effect continuous twenty-four service during each day, Sundays and holidays not excepted, and shall employ a sufficient number of competent operators to maintain such continuous service.

(3) That within ten days immediately following the establishment of service in accordance with the provisions of paragraph number two of the order herein, the defendant herein shall file its written statement, satisfactory to the Railroad Commission, declaring that the service herein provided for has been established, whereupon the commission

will issue its supplemental order or orders dismissing this complaint as to the remaining complainants; provided that, in the event of the failure by defendant, after sixty days from the date of this order, except for good and sufficient cause shown, to connect at its Laton exchange the minimum number of subscribers' telephone stations hereinabove provided for, the commission will issue such further order as to it may appear to be proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4564.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL
THE PROPERTIES OF COAST LINE RAILWAY COMPANY TO
SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2905.

Decided August 21, 1917.

BY THE COMMISSION.

ORDER.

Applicant in the above-entitled matter and Southern Pacific Railroad Company having been heretofore granted permission, the one to sell and the other to buy, the properties of the Coast Line Railway Company, subject to certain conditions, and these conditions having now been complied with.

It is hereby ordered that the permission granted in the original order in this matter (Decision No. 4441) be and the same hereby is made effective as of the date of this order.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4565.

IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO SELL
THE PROPERTIES OF HANFORD AND SUMMIT LAKE RAILWAY
COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY.

Application No. 2906.

Decided August 21, 1917.

BY THE COMMISSION.

ORDER.

Applicant in the above-entitled matter and Southern Pacific Railroad Company having been heretofore granted permission, the one to sell and the other to buy, the properties of the Hanford and Summit Lake Railway Company, subject to certain conditions, and these conditions having now been complied with,

It is hereby ordered that permission granted in the original order in this matter (Decision No. 4441) be and the same hereby is made effective as of the date of this order.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4566.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE CERTAIN SECURITIES OF PACIFIC LIGHT AND POWER CORPORATION AND OF VENTURA COUNTY POWER COMPANY; TO ACQUIRE THE PROPERTIES AND FRANCHISES OF PACIFIC LIGHT AND POWER CORPORATION AND TO ISSUE STOCK, AND OF PACIFIC LIGHT AND POWER CORPORATION TO SELL ITS PROPERTIES AND FRANCHISES TO SOUTHERN CALIFORNIA EDISON COMPANY.

Application No. 2561.

Decided August 21, 1917.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares and finds as a fact that Southern California Edison Company on May 24, 1917, filed with the commission a stipulation reading:

“Southern California Edison Company hereby stipulates and agrees for itself, its successors and assigns, that neither it nor they will ever claim before the Railroad Commission of the state of California or any court or other public body a value for the

franchises or any thereof authorized by order made by the Railroad Commission of California on May 22, 1917, in the above-entitled proceeding, to be conveyed by Pacific Light and Power Corporation to said Southern California Edison Company any sum in excess of the cost of such franchise or franchises to the original grantee or grantees thereof";

that the commission on said May 24, advised the company that said stipulation was satisfactory and that on May 25, 1917, Southern California Edison Company filed with the commission the stipulation in form as approved by the commission.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4567.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE CITY OF CHICO, BY ORDINANCE NO. 149 ON THE FIFTEENTH DAY OF MAY, 1917.

Application No. 3029.

Decided August 21, 1917.

Applicant granted a certificate permitting the operation of a telephone exchange in the city of Chico under the provisions of a franchise obtained from said city, provided that no value shall ever be claimed therefor in excess of its actual original cost.

Pillsbury, Madison & Sutro, by Felix T. Smith, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application for certificate that public convenience and necessity require the exercise by The Pacific Telephone and Telegraph Company of rights and privileges in the franchise granted to it by the city of Chico.

Applicant has been supplying telephone service in and about Chico, Butte County, for a number of years under a twenty-five year franchise which expired by limitation last spring. It has procured a new franchise from the city and now seeks authority to exercise its rights and privileges under new franchise. The amount bid for the franchise was \$100.00 and the cost of the advertising was \$84.47.

ORDER.

The Pacific Telephone and Telegraph Company having applied for an order substantially as herein contained, and a public hearing having been held thereon and the commission being fully advised in the premises, the Railroad Commission of California hereby declares that public convenience and necessity require the exercise by The Pacific Telephone and Telegraph Company of the rights and privileges conferred by Ordinance No. 149 of the city of Chico, adopted May 15, 1917, provided that the Railroad Commission shall first have made its supplemental order herein declaring that the Pacific Telephone and Telegraph Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors, in form satisfactory to the Railroad Commission, declaring that The Pacific Telephone and Telegraph Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for said rights and privileges in excess of the actual cost to it of acquiring said rights and privileges, which cost is represented by said The Pacific Telephone and Telegraph Company to have been \$184.47.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4568.

IN THE MATTER OF THE APPLICATION OF GRANGERS BUSINESS ASSOCIATION FOR AN ORDER APPROVING THE ORDER OF THE BOARD OF SUPERVISORS OF THE COUNTY OF CONTRA COSTA GRANTING IT A RENEWAL OF THE RIGHT TO CONSTRUCT AND MAINTAIN A WHARF FOR A PERIOD OF TWENTY YEARS IN SAID COUNTY OF CONTRA COSTA.

Application No. 3094.

Decided August 21, 1917.

Order approving a franchise obtained by applicant permitting the construction and operation of a wharf in the county of Contra Costa.

Houghton & Houghton, for Applicant.

BY THE COMMISSION.

OPINION.

Grangers Business Association applies for approval of renewal of wharf franchise granted by the board of supervisors of Contra Costa County on July 16, 1917.

A public hearing in the matter was conducted by Examiner Westover.

The approval of similar action by the board of supervisors of Contra Costa County in granting two previous renewals of this franchise is

contained in Decision No. 1995 of December 12, 1914, and Decision No. 2871 of November 5, 1915. (See Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 885, and Vol. 8, Opinions and Orders of the Railroad Commission, p. 362.)

The franchise in question has not been exercised by construction of the wharf for reasons which appear to us to be satisfactory. Applicant therefore has procured renewals of the franchise within two year periods from the board of supervisors and approvals of their action by the Railroad Commission as provided by sections 2906 and 2919 of the Political Code.

Applicant has constructed a wharf and built and now operates a large warehouse upon adjoining property under a separate wharf franchise. Both properties are located on the south shore of the straits of Carquinez near Port Costa, in Contra Costa County.

ORDER.

Grangers Business Association having applied to this commission for approval of an order and resolution of the board of supervisors of the county of Contra Costa, state of California, made on July 16, 1917, renewing a right theretofore granted applicant to construct and maintain a wharf on the southerly shore of the straits of Carquinez, and a public hearing having been held in the matter, and the commission being of the opinion that the application should be granted,

It is hereby ordered that said application be and the same is hereby granted.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4569.

IN THE MATTER OF THE APPLICATION OF W. B. AMBROSE, LESSEE OF LOCKE'S WAREHOUSE, FOR PERMISSION TO INCREASE HIS STORAGE RATES ON OATS, WHEAT, BARLEY, CORN AND POTATOES.

Application No. 3068.

Decided August 21, 1917.

Upon a showing that present rates are noncompensatory, applicant is authorized to put into effect the following rates for the storage of grain and potatoes: Two months or less, 50 cents per ton; over two months or season, June 1 to May 31, \$1.00 per ton.

W. B. Ambrose, in propria persona.

BY THE COMMISSION.

OPINION.

W. B. Ambrose, lessee of "Locke's Warehouse," at Lockeford, San Joaquin County, applies for increase in warehouse rates on

grain and potatoes which are now 25 cents per month for three months, or 75 cents for the entire season, June 1 to May 31 following. The rate requested is 50 cents for two months or less and \$1.00 for more than two months, or for the season. The principal justification offered for the increase sought is alleged loss suffered under the old 25-cent rate for storage of one month or less, and increase in the cost of labor. A public hearing upon the application was conducted by Examiner Westover at Lockeford.

The warehouse is a one-story brick structure 60 by 21, belonging to Mrs. B. M. Locke, for which applicant pays a rental of \$25.00 per month. He has occupied it and used it as a warehouse since 1884 or 1885 with the exception of one year. Until about five years ago he paid a rental of \$10.00 per month. The warehouse business is conducted by applicant in connection with his general store. In times of need labor for the warehouse is supplemented by that at the store and vice versa. Patrons in attendance testified to the excellent service rendered by applicant. One patron objected to the increase in rate from 75 cents to \$1.00 for the season, but thought the minimum charge of 50 cents per ton for two months or less justified. He, however, never stored for less than two months. The same patron presented estimates of cost of labor indicating a total cost of 35 cents per ton for receiving, weighing, piling and delivering in large quantities. Applicant considers this estimate far too low. Applicant has had about thirty patrons during the past year. Of these sixteen signed a statement saying they did not object to the increase in rates sought.

A considerable part of the grain stored has heretofore been removed during the first month's storage, the amount depending, of course, upon market conditions. Gross revenue for the last three seasons and the quantities stored for more than two months, and therefore paying the 75-cent rate for the season, and that stored for shorter periods and paying the lower rates, appears in the following table:

	One month, 25-cent rate		Two months, 50-cent rate		Three months or more, 75-cent rate		Gross revenue
	Tons	Amount	Tons	Amount	Tons	Amount	
1914 -----	277	\$69 25	57	\$28 50	1,852	\$1,389 00	\$1,486 75
1915 -----	269	67 25	52	26 00	1,061	795 75	889 00
1916 -----	632	158 00	270	135 00	654	490 50	783 50
Totals -----	1,178	\$294 50	379	\$189 50	3,567	\$2,675 25	\$3,159 25

It appears that applicant has for years made as often as requested small deliveries of grain, frequently only a few bags at a time. No extra charge has been made for these deliveries on retail sales. The cost of this particular service could not be shown.

The cost of operating the warehouse or of handling and storing grain in the usual way could not be shown with accuracy, as no separate set of books has been kept. The items of the warehouse accounts are mingled with the accounts of the general store. Petitioner should hereafter keep its warehouse accounts separately. Generally two men, a boy and a horse are employed at the warehouse for about three months of the season; with two or three additional men from time to time as needed. Last year truckers and pilers received \$2.50 per day and this year pilers are paid \$3.00 per day.

Estimates of the cost of operation based upon the testimony indicate that the average storage of the last three years at the rates requested, will produce a net return of less than \$40.00 per month to cover management and overhead expenses.

ORDER.

W. B. Ambrose having applied to the Railroad Commission for authority to increase warehouse rates on grain and potatoes, and a public hearing having been held thereon and the matter being now ready for determination, it is hereby found as a fact that the rates heretofore charged by applicant are noncompensatory and unreasonable and that the rates hereinafter provided are fair and reasonable rates, and basing its conclusions upon the above findings of fact and upon the findings contained in the opinion which precedes this order,

It is hereby ordered that W. B. Ambrose be and he is authorized and empowered to charge and collect immediately after filing with the commission schedule or tariff thereof, the following rates for storage of grain and potatoes in what is known as Locke's Warehouse, at Lockeford, San Joaquin County, to wit:

For two months or less, 50 cents per ton.

For more than two months or for the season June 1 to May 31 following,
\$1.00 per ton.

The collection of above rates shall be conditioned upon the rendering of first-class service in receiving, weighing, piling, carrying in storage, resacking, loading into cars, and such other service as it is customary for warehousemen similarly situated to render.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4570.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR LEAVE TO ISSUE FIFTY THOUSAND
SHARES OF ITS COMMON CAPITAL STOCK.

Application No. 2743.

Decided August 21, 1917.

This commission's authorization is not necessary to permit a utility to enter into various contracts for the sale of its stock to officers and employees, provided the issuance of such stock is authorized by the commission.

Applicant authorized to issue 21,174 shares of stock, heretofore authorized but remaining unsold, such stock to be issued at not less than \$8 under the terms and conditions of various contracts filed, also 7,000 shares of stock to net not less than \$8, to be issued pursuant to proposed optional contracts.

By THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 4403, dated June 16, 1917, annulled the order in Decision No. 4097, dated February 13, 1917, authorizing applicant in the above-entitled matter to issue 50,000 shares of its common capital stock of the par value of \$100.00 per share, and subsequently by Decision No. 4415, dated June 21, 1917, authorized applicant in the above-entitled matter to issue 25,000 shares of said 50,000 shares of common capital stock at not less than \$88.00 per share; and

Whereas applicant in its supplemental application filed August 14, 1917, reports that 3,826 shares of said 25,000 shares of stock have been subscribed for by stockholders, leaving unsold 21,174 shares; and

Whereas applicant asks that it be permitted to issue not exceeding 7,000 shares of said unsold stock to its officers and various department heads pursuant to a proposed contract attached to the supplemental application and marked Exhibit "A"; that it be permitted to issue not exceeding 5,000 shares of said unsold stock to its employees pursuant to a proposed contract attached to the supplemental application and marked Exhibit "B"; that it be permitted to issue 9,174 shares of said unsold stock pursuant to the proposed contracts attached to the supplemental application and marked Exhibits "C" and "D," and that it be authorized to issue such additional shares of stock as its officers and various department heads may subscribe for under the option contracts referred to in Exhibit "A" attached to the supplemental application; and

Whereas it appears to the commission that applicant may enter into the various contracts without authority from this commission, provided

the commission authorize the issue of stock at not less than \$88.00 per share net, such stock to be issued on or before October 15, 1922; and

Whereas it further appears to the commission that some limitation should be placed upon the amount of stock to be issued under the so-called option contracts, and that the stock issued under these option contracts should not exceed 7,000 shares of applicant's common capital stock; now, therefore,

It is hereby ordered that Southern California Edison Company may issue the 21,174 shares of unsold stock, authorized to be issued by Decision No. 4415, dated June 21, 1917, on or before October 15, 1922, at not less than \$88.00 per share net, it being understood that this stock will be issued under the terms and conditions of the proposed contracts marked Exhibits "A," "B," "C" and "D" attached to the supplemental application.

It is hereby further ordered that Southern California Edison Company be and it is hereby granted authority to issue on or before October 15, 1922, 7,000 shares of common capital stock at not less than \$88.00 per share net, said stock to be issued pursuant to the proposed option contracts referred to in Exhibit "A" attached to the supplemental application.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The proceeds obtained from the sale of the stock hereby authorized to be issued shall be used for the purposes specified in Condition "1" of Decision No. 4415, dated June 21, 1917.

2. Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority hereby granted to issue stock shall apply only to such stock as shall have been issued on or before October 15, 1922.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4571.

IN THE MATTER OF THE APPLICATION OF KINGS LAKE SHORE RAILROAD COMPANY FOR AN ORDER AUTHORIZING AN ISSUE OF CAPITAL STOCK AND BONDS.

Application No. 2919.

Decided August 21, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing

It is hereby ordered that the provision of the order found in Decision No. 4461, dated July 16, 1917, reading:

“It is hereby ordered that Kings Lake Shore Railroad Company be and it is hereby authorized to execute a mortgage or deed of trust upon its properties as security for a total authorized issue of \$500,000.00 of first mortgage 6 per cent twenty-year bonds,”

be and the same is hereby amended so as to read:

“It is hereby ordered that Kings Lake Shore Railroad Company be and it is hereby authorized to execute a mortgage or deed of trust upon its properties as security for a total authorized issue of \$311,000.00 of first mortgage 6 per cent twenty-year bonds.”

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4572.

THE CITY OF CALEXICO

vs.

SOUTHERN PACIFIC COMPANY ET AL.

Case No. 1040.

Decided August 21, 1917.

Complainant having petitioned the commission to compel defendant railroad company to construct, at its own expense, a crossing at separate grades where Second street crosses the tracks of the railroad company in the city of Calexico, and an investigation showing that the present plan is impractical and that a rearrangement of trackage will considerably lessen the danger until such time as arrange-

ments may be made to construct a separation of grades upon a different plan, complaint dismissed without prejudice.

William P. Butcher, for city of Calexico.

George D. Squires, for Southern Pacific Company.

GORDON, *Commissioner*.

OPINION.

In this complaint the city of Calexico states that near a crossing of the Southern Pacific Company on Second street the railroad company maintains a roundhouse to and from which engines pass with such frequency as to endanger and imperil the safety of the lives of the public using Second street, and that the grades of approach of the crossing itself are steep and difficult. The complainant asks the commission to order the railroad company to construct at its own expense an overhead crossing of Second street so the city can improve the grade in accordance with plans contemplated, which are outlined in the complaint. In its answer the railroad company denies that the crossing is dangerous and that an undergrade crossing is needed. A public hearing was held upon this complaint on April 2 at Calexico.

Second street runs approximately east and west through the city of Calexico and is the principal thoroughfare reaching the city from the west. New River is west of the tracks, four in number, and the bridge which the city proposes to erect over this river will be, compared to the railroad, at such a low elevation that from that side a grade separation could readily be made. East of the tracks, however, the grade of the street is practically level with the grade of the tracks and it extends level for some distance easterly. Imperial avenue, a north and south street, intersects Second street about 220 feet east of the crossing of Second street with the easterly track of the railroad company, and this distance necessarily governs the length of the approach which can be built on that side. The plan of the city for a subway shows a grade east of the track of $6\frac{1}{2}$ per cent.

While I am always in sympathy with any community which seeks to rid itself of its grade crossings, I do not believe that the relief asked for by the city of Calexico should be granted at this time. As the grade crossing exists it is dangerous beyond a doubt. The traffic on the road, consisting to a large extent of 4- and 6-horse teams during the shipping season, is heavy; the grade of approach on the west, as the city states, is steep; the tracks are used more or less continuously during certain periods of the day for switching; and the proximity of the facilities for caring for the engines results in the tracks adjacent

to the crossing being occupied nearly all the time by engines, the exhaust steam from which frightens teams at the crossing.

There are two ways of improving these conditions. The first is by separating grades and the second is by removing the engine facilities. The principal objection to separating grades, along the lines proposed by the city, is that the grade to the east will be so steep that, in the opinion of many of the ranchers who testified, it will be difficult to use with a heavy load; and to construct even the cheapest kind of grade separation—that is, a timber structure which would be more or less temporary—it would be necessary for some \$3,500.00 to be expended, while if a permanent bridge were built the amount would be increased to \$15,000.00. It was suggested that if the railroad company would eliminate one or two of the tracks now crossing Second street and move its main line to the west, the distance between Imperial avenue and the tracks would be increased to such an extent that a lighter grade of approach could be made. Since the hearing the Southern Pacific Company has submitted plans for such a change, the cost of which would be some \$2,800.00, an expense which would be additional to the figures given above for the cost of the separation itself. This additional expense, however, would enable the grade to be lightened only to 5 per cent and the rearrangement of the tracks would seriously cramp the facilities of the railroad company, a feature which is undesirable both from the viewpoint of the railroad and the city.

The superintendent of the railroad company testified that it was the intention of the company to remove the engine facilities from Second street in the near future, regardless of the outcome of this case. When that is done engines will no longer stand near the crossing and the train movements over it will amount to the passage of one train each way per day, together with switching incident to caring for the work in the yard, which will not exceed four hours per day.

I am inclined to think that if it were possible to secure a grade of approach on the east of $3\frac{1}{2}$ or 4 per cent, which I believe should be the maximum grade on a street which is now and for many years will be the principal street to the city of Calexico from a heavily producing agricultural country, the money necessary to secure a grade separation would make commensurate returns at once to both the city and the railroad company. But under existing circumstances, I do not believe the railroad company should be required to assume a portion of the expense of this grade separation until the need for a separation is determined after a readjustment of the engine facilities, and until a plan has been worked out that will permit of grades of approach which are not excessive. If the relief the city of Calexico seeks to secure is

not obtained by the change, it will at least place no obstacles in the way of a separation of grades in the future.

I have no doubt that grade separation will eventually take place at or near the present crossing on Second street. If the present Second street were abandoned and a new street opened midway between Third and Second, it seems probable that a 4 per cent grade, or less, could be secured, and by constructing the approaches on the east along curved lines to both Third and Second streets, much of the congestion which would undoubtedly take place if the approaches led to Second street alone would be avoided. An objection to this plan lies in the fact that some private property would have to be secured which would add considerably to the cost of the project. This scheme has possibilities, however, which the city of Calexico should study. Feeling, as I do, that the present plan will not give Calexico the relief it wishes, I am unwilling to recommend the construction of a subway. After the engine facilities have been removed, if the situation is not safe and satisfactory, there will be no reason why further studies can not be made by the city and this complaint renewed.

I recommend the following form of order:

ORDER.

The city of Calexico having complained of the condition of the crossing of Second street with the tracks of Southern Pacific Company, and a public hearing having been held, and it appearing, for reasons set forth in the foregoing opinion, that a grade separation should not be ordered by the commission at this time,

It is hereby ordered that this case be and the same hereby is dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4573.

IN THE MATTER OF THE APPLICATION OF PETALUMA AND SANTA ROSA RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK.

Application No. 2103.

Decided August 21, 1917.

Applicant authorized to issue 165 shares of its common capital stock in exchange for certain real property, such certificate to be issued in lieu of a like number of shares heretofore issued without authority of the commission.

Edwin T. McMurray, for Petaluma and Santa Rosa Railway Company.

THELEN, Commissioner.

OPINION ON PETITION FOR REHEARING.

On August 15, 1917, evidence and argument were received herein at a public hearing held in San Francisco on the question whether a rehearing should be granted on Decision No. 3197, made in the above-entitled proceeding on March 25, 1916.

At the hearing on August 15, 1917, it was stipulated that if the Railroad Commission should be of the opinion that a rehearing should be granted herein, the evidence and argument presented at the hearing on August 15, 1917, should be deemed to be the evidence and argument which would be presented on such rehearing, and that the entire matter might be disposed of on the evidence and argument presented at the original hearing on March 7, 1916, and said hearing of August 15, 1917.

Petaluma and Santa Rosa Railway Company asks authority to issue 165 shares of its capital stock, having a total par value of \$16,500.00, to Mr. George P. McNear, in part payment for a portion of Block No. 7 of East Petaluma, on which land are located petitioner's passenger station and yards at Petaluma.

Petitioner entered into the possession of this property in 1904, under a ten-year option to purchase the same for the sum of \$9,500.00. In July, 1912, petitioner exercised the option, paid to Mr. McNear \$5,000.00 in cash and purported to issue to him 165 shares of its common capital stock at an agreed value of \$25.00 per share and received from Mr. McNear conveyance of the land under consideration.

The testimony shows that this transaction was carried out in consummation of a verbal agreement made between Mr. McNear and the president of petitioner in February, 1912.

Said 165 shares of petitioner's capital stock were issued without the Railroad Commission's consent and without knowledge of the provisions of the Public Utilities Act, and with no intention to violate

the same. Petitioner now asks authority, after cancellation of the certificate representing said 165 shares, to make a new issue of 165 shares in lieu of the stock which was illegally issued.

Petitioner has an authorized issue of capital stock of the total par value of \$1,000,000.00, divided into 10,000 shares of the par value of \$100.00 each. This stock was heretofore all issued, but in December, 1907, petitioner bought in 224 shares for failure to pay an assessment of \$10.00 per share. The maximum price at which petitioner's capital stock was issued was \$40.00 per share, for 900 shares. The remaining shares were exchanged for property at not in excess of \$25.00 per share. The testimony on the rehearing showed that there have been no recent sales of petitioner's capital stock and that if sold on the market it could not reasonably be expected to yield more than \$5.00 per share.

The testimony at the rehearing shows that the property under consideration has increased substantially in value subsequent to 1904, at which time the option to sell the same for \$9,500.00 was given.

The testimony at the rehearing also shows that it will be distinctly advantageous to Petaluma and Santa Rosa Railway Company to be authorized to issue the capital stock under consideration and to consummate the transaction.

Mr. McNear is willing to accept a new certificate in lieu of the one which was illegally issued.

Under all the specific circumstances of this case, I am of the opinion that petitioner should be permitted to issue to Mr. George P. McNear 165 shares of its common capital stock in part payment for the land hereinbefore referred to, in lieu of the 165 shares which were heretofore illegally issued, on the cancellation of the certificate representing said shares.

I submit the following form of order:

ORDER.

Petaluma and Santa Rosa Railway Company having petitioned for a rehearing on Decision No. 3197, made on March 25, 1916, in the above-entitled proceeding, a public hearing having been held on said petition, the Railroad Commission finding that a rehearing should be held and petitioner having stipulated that the evidence and argument presented at the public hearing of August 15, 1917, herein should be deemed to be the evidence and argument which would be presented by petitioner on such rehearing, and the Railroad Commission being fully advised in the premises,

It is hereby ordered that Petaluma and Santa Rosa Railway Company be and the same is hereby authorized to issue to Mr. George P. McNear, in part payment for a portion of the block of land commonly known

as Block 7 of East Petaluma, on which land petitioner's yards and passenger station at Petaluma are located, 165 shares of its common capital stock on the following conditions and not otherwise, to-wit:

1. Before Petaluma and Santa Rosa Railway Company may issue said 165 shares of its capital stock, there shall have been cancelled and returned to its treasury, certificate representing 165 shares of its capital stock heretofore illegally issued by Petaluma and Santa Rosa Railway Company to Mr. George P. McNear.

2. Within ten days subsequent to the cancellation of said certificate of capital stock and the issue of the shares of capital stock herein authorized, Petaluma and Santa Rosa Railway Company shall make a verified report to the Railroad Commission reciting said facts, in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein given to issue capital stock shall apply only to such capital stock as shall have been issued on or before November 1, 1917.

It is further ordered that Decision No. 3197, made on March 25, 1916, in the above-entitled proceeding be and the same is hereby vacated and set aside.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of August, 1917.

DECISION No. 4574.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AUTHORITY TO SELL, AND
OF THE CITY OF EL PASO DE ROBLES FOR AUTHORITY TO PUR-
CHASE, CERTAIN PROPERTY.

Application No. 3128.

Decided August 25, 1917.

BY THE COMMISSION.

ORDER.

Midland Counties Public Service Corporation having asked authority to transfer to the city of El Paso de Robles for the sum of \$33,170.85 the former's public utility water system used to supply the inhabitants of said city, the property to be conveyed being described as follows: -

All those lots, pieces or parcels of land situate in or near the city of El Paso de Robles, county of San Luis Obispo, State of California, particularly described as follows:

1st. Commencing at a point 124 feet north 86 deg. 10 min. E. from the northwest corner of block sixty-six (66) in the city of El Paso de Robles; thence S. 3 deg. 50 min. E. sixty-five (65) feet to post; thence N. 86 deg. 10 min. E. to easterly boundary of the Rancho El Paso de Robles; thence along said easterly boundary of said Rancho N. 34½ deg. W. to a point where the north line of said block sixty-six (66), if protracted would intersect the said easterly boundary line of said Rancho; thence S. 86 deg. 10 min. W. to the point of beginning.

2nd. Commencing at the intersection of the projection of the south line of 10th Street with the West line of Olive Street in the city of El Paso de Robles; and running thence at right angles to said Olive Street west one hundred and fifty (150) feet; thence at right angles south one hundred (100) feet; thence west two hundred and ten (210) feet; thence north two hundred and twenty (220) feet to post "W. C. 5"; thence east three hundred and sixty (360) feet to post "W. C. 6" on the west line of Olive Street; thence south along said west line of Olive Street one hundred and twenty (120) feet to place of beginning.

3rd. Commencing at post 122 on the south line of 12th Street in the City of El Paso de Robles; thence S. 54 deg. 20 min. E. one hundred and fifty (150) feet; thence S. 35 deg. 40 min. W. forty (40) feet to post "W. C. 30"; thence parallel with the southerly line of 12th Street westerly to the post marked "W. C. 36"; thence N. 2 deg. 10 min. E. forty (40) feet to the south line of 12th Street; thence along said south line of 12th Street to the point of beginning.

4th. Also that tract of land commencing at post 122½ on the north line of 12th Street in the city of El Paso de Robles; thence S. 54 deg. 20 min. E. one hundred and sixty-two (162) feet; thence north 35 deg. 40 min. E. forty (40) feet to post "W. C. 31"; thence parallel with the northerly line of 12th Street, westerly, to post marked "W. C. 37"; thence S. 2 deg. 10 min. W. forty (40) feet to the north line of 12th Street; thence along said north line of 12th Street to the point of beginning. Reference is hereby made to a map of the city of El Paso de Robles on file in the office of the County Recorder of the County of San Luis Obispo, State of California, filed therein on the 25th day of October, 1889, for a more particular description of the tracts hereinabove described.

5th. Also that part of lot fifteen (15) of the Rancho Santa Ysabel, near the city of El Paso de Robles, in said county and state, bounded and particularly described as follows: commencing at a stake set in the ground and marked "C." which stake is set at a point which bears S. 69 deg. E. four and thirty one-hundredths (4.30) chains from a stake marked "32" set on the southerly boundary of lot "J" of the Ysabel Terrace as the said lot "J" and the said stake marked "32" are laid down and delineated on the map and survey of said "Ysabel Terrace" entitled "Map of the Ysabel Terrace," a subdivision of part of lot No. 15 of the Rancho Santa Ysabel, San Luis Obispo County, Cal., surveyed by G. F. Spurrier, September 1888, scale two chains to one inch" and filed in the office of the County Recorder of San Luis Obispo,

March 3, 1891; and running thence from said stake marked "C" N. $6\frac{3}{4}$ deg. E. two and seventy one-hundredths (2.70) chains to a post marked "D" station; thence S. $86\frac{1}{4}$ deg. E. 0 80/100 chains to a post marked "E"; thence S. $44\frac{1}{4}$ deg. E. one thirty-six one-hundredths chains to a post marked "F"; thence S. $19\frac{1}{4}$ deg. E. one and thirty-five hundredths chains to a post marked "G"; thence S. $17\frac{1}{4}$ deg. W. seven and fifty-nine hundredths (7.59) chains to station "H" marked by a piece of three-quarter inch water pipe driven in the ground; thence S. $85\frac{1}{4}$ deg. W. two 70/100 (2.70) chains to station "I" marked by a piece of water pipe driven in the ground; thence N. $51\frac{3}{4}$ deg. W. three and 10/100 (3.10) chains to station "J" marked by a piece of said water pipe driven in the ground; thence N. $4\frac{1}{4}$ deg. E. four and 14/100 (4.14) chains to station "K," marked by a piece of water pipe driven in the ground, from which point a white oak tree six (6) inches in diameter bears N. $73\frac{3}{4}$ deg. W. one 02/100 (1.02) chains from which station "K" said post marked 32 standing on the southerly line of lot "J" of said Ysabel Terrace bears N. 21 deg. W. four 25/100 (4.25) chains; thence from said station "K" N. $45\frac{1}{4}$ deg. E. three 49/100 (3.49) chains to said post marked "C" and place of beginning and containing five 04/100 (5.04) acres of land.

6th. Also an undivided one-half part of and interest in and to lot "A" of Callender's re-subdivision of lot fifteen of the Rancho Santa Ysabel, which is more particularly described on the map of the City of El Paso de Robles and parts of adjoining subdivisions drawn by E. Trevor, C. E., as follows:

Commencing at the corner common to lots "A" and "B" of said re-subdivision of lot fifteen aforesaid, on the County Road, and at stake marked C. 5, and running N. $1\frac{1}{4}$ deg. W. 3.51 chains to point of intersection of said road with the County Road running to the Paso Robles Bridge across the Salinas River; thence N. $53\frac{3}{4}$ deg. E. 3.20 chains to stake 62; thence N. $38\frac{1}{4}$ deg. E. 2.67 chains to stake C. 1; thence S. $34\frac{1}{4}$ deg. E. 1.82 chains to stake C. 2; thence at right angles to point of beginning, and containing 1.11 acres of land.

Also all the water pipes, reservoirs, conduits, flumes, pumping works, distributing plant, easements, rights of way and franchises, and all of the appurtenances connected with the system of water supply and the distribution thereof now in use by Midland Counties Public Service Corporation in supplying water to the city of El Paso de Robles and the inhabitants thereof, together with all other property, real, personal or mixed, now owned by the said corporation or in or to which it has any claim, right, title or interest, used in connection with its said system of water supply, including all tools, implements, machinery, fixtures, supplies and personal property of every kind, character and description;

and the City of El Paso de Robles having joined in said application and the commission being of the opinion that this is not a case in which a public hearing is necessary, and that the application should be granted,

It is hereby ordered that the application herein be and the same is granted, provided that the authority contained in this order shall apply only to such conveyance as is made on or before October 31, 1917, and provided further that within ten days after such conveyance is made a copy of the deed of conveyance shall be filed with the Railroad Commission.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

DECISION No. 4575.

IN THE MATTER OF THE APPLICATION OF CARLIN G. SMITH AND HELEN K. SMITH, DOING BUSINESS UNDER THE NAME OF THE DU RAY WATER COMPANY, AND OF THE BOARD OF PUBLIC SERVICE COMMISSIONERS OF THE CITY OF LOS ANGELES, FOR AN ORDER AUTHORIZING THE SALE OF PUBLIC UTILITY PROPERTY.

Application No. 3121.

Decided August 25, 1917.

BY THE COMMISSION.

ORDER.

Carlin G. Smith and Helen K. Smith, having applied for authority to transfer to the board of public service commissioners of the city of Los Angeles, a certain public utility water system used to supply approximately 24 persons situated in the "West Adams place," in the city of Los Angeles, the conveyance to be made in accordance with the form of deed attached to the application in this proceeding and marked Exhibit "A," in which the property to be transferred is described as follows:

(a) All water pipes, service connections, fittings, meters, appliances, appurtenances and extensions constituting the distributing system of the Du Ray Water Company, but excepting wells, pumping plant, machinery, tools, buildings, and the land whereon the same are located;

(b) All franchises or rights of way owned by or held for said Du Ray Water Company, and used or necessary in connection with the construction or operation of said works, or any part thereof, or any extension of said works;

(c) All maps and records pertaining to said water system, and relating to pipes, services, consumers, property, rates, etc.,

and the board of public service commissioners of the city of Los Angeles, having joined in the application, and the commission being of the opinion that this is not a case in which a public hearing is necessary, and that the application should be granted,

It is hereby ordered that the application herein be and the same hereby is granted, provided that the authority herein granted shall apply only to such conveyance of property as may be made on or before August 31, 1917, and provided further that within ten days after the conveyance is made a copy of the deed of conveyance shall be filed with the Railroad Commission.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

Decisions Nos. 4576, 4577 and 4578, grade crossings; not printed. See end of volume.

DECISION No. 4579.

IN THE MATTER OF THE APPLICATION OF THE MERCED STONE COMPANY TO SELL AND THE SAN JOAQUIN LIGHT AND POWER CORPORATION TO PURCHASE A CERTAIN ELECTRIC GENERATING PLANT AND DISTRIBUTING SYSTEM IN MARIPOSA AND MERCED COUNTIES.

Application No. 3090.

Decided August 25, 1917.

Merced Stone Company authorized to transfer to the San Joaquin Light and Power Company for the sum of \$35,000.00 its electrical generating and distributing system in the county of Mariposa.

BY THE COMMISSION.

OPINION.

Merced Stone Company and San Joaquin Light and Power Corporation herein request authority to sell and to purchase, respectively, for the sum of \$35,000.00, a certain hydroelectric plant and distribution system owned and operated by the former.

The property to be transferred consists of certain water rights on the Merced River near the town of Kittridge covering the use of 15,000 miner's inches of the flow of the Merced River, also rights of way for a diversion dam and flume, certain real estate upon which is located the power plant of the Merced Stone Company and other buildings used in connection with the power plant; a 375 K. V. A. installed capacity hydroelectric plant, including buildings and machinery capable of supplying 250 K. W. demand, distribution lines and substation designated as Kittridge and Jasper substations of 375 K. V. A. and 150 K. V. A. capacity, also a transmission line from Kittridge via Jasper Point to the Merced Falls plant of San Joaquin Light and Power Corporation, together with the public utility business now served by the electric system. A detailed inventory of the property to be transferred is set forth in Exhibits "A" and "B," filed with the

application, and also in a report on the reproduction cost of said property by Mr. G. R. Kenny, filed under date of August 23, 1917, by San Joaquin Light and Power Corporation.

The Merced Stone Company was incorporated in 1907 and later constructed the existing hydroelectric plant and distribution system, and has been serving power for quarrying and mining purposes to two mines in the neighborhood of Jasper Point and Kittridge.

The Merced Stone Company desires to go out of business as a public utility and the San Joaquin Light and Power Corporation desires to increase its business in Mariposa County by the operation of this plant in conjunction with the San Joaquin system and in the extension into territory beyond Kittridge. It will be possible for the latter company to make greater economic use of the plant and facilities than can be done by the two companies operating separately.

The reproduction cost new of the property to be transferred has been estimated by Mr. Kenny to be \$76,267.19. This estimate was based upon average price conditions according to Mr. Kenny, who further stated that the depreciated cost of the property is between 70 per cent and 80 per cent of the cost new, or at least \$50,000.00.

The average output of the plant for the past five years has been 601,910 K. W. H. This has been limited by the consumers' requirements. It is estimated that if the plant is connected to the San Joaquin system and operated continuously, the average annual output will be approximately 1,650,000 K. W. H.

San Joaquin company proposes to operate the plant continuously at full capacity and to extend the distribution system to serve mining customers in this general district. The rates to be charged are the same as now on the San Joaquin system, which rates, according to the San Joaquin Light and Power Corporation, will result in a reduction to present customers of Merced Stone Company.

It appears from a consideration of the information at hand in this matter that the transfer of property requested should be approved.

ORDER.

Merced Stone Company and San Joaquin Light and Power Corporation having applied for authority of the Railroad Commission to the transfer by Merced Stone Company to San Joaquin Light and Power Corporation of a certain hydroelectric plant and transmission and distribution system,

It is hereby ordered that

(1) Merced Stone Company be and hereby is authorized to transfer and sell to San Joaquin Light and Power Corporation for the sum of \$35,000.00 that certain low-head turbine hydroelectric plant of 375 K. V. A. installed capacity and distribution system located in and

near the town of Kittridge, Mariposa County, and that certain transmission line extending from Kittridge via Jasper Point to Merced Falls, including the following described water rights and real property:

Water Rights.

That certain water right on the Merced River in the County of Mariposa, State of California, consisting of the right to take 15,000 miner's inches under a four inch pressure, as the same was located by the Nameless Mining Company in November, 1899, its notice of appropriation of water being recorded in Book No. 11 of Water Rights at page 67, thereof, Mariposa County Records, together with all the water rights, privileges and advantages, which have accrued to said first party under and by virtue of the actual diversion and appropriation of water as hereto diverted and appropriated.

Real Property.

That portion of Section 26, Township 3 S., Range 16 E., M. D. B. & M., which is described as follows, to-wit:

Beginning at a point on the northeasterly side of the Merced River in Section 26, Township 3 S., Range 16 E., M. D. B. & M., which is N. 30° 30' E. 245 feet from the top of the northwest corner of the concrete foundation of the Kittridge Power House of the Merced Stone Company; thence south 21° 20' E. 450 feet to a point; thence south 69° 15' W. 250 feet to a point in the Merced River up stream from the said Power House; thence down the stream north 21° 20' W. 450 feet to a point in the stream below said Power House; thence north 69° 15' E. 250 feet to point of beginning, together with all structures, buildings, flumes, or improvements now thereon, also the following land, located south of the Merced River and described as follows:

Beginning at a point on the Southwesterly line of the Right of Way of the Yosemite Valley Railroad Company, which is S. 59° 30' W. 335 feet from the top of the northwest corner of the concrete foundation of the Kittridge Power House of the Merced Stone Company; thence S. 61° 0' W. 300 feet to a point; thence N. 29° W. paralleling the southwesterly line of said Railroad Right of Way 200 feet to a point; thence N. 61° 0' E. 300 feet to a point on the Southeasterly line of said Railroad Right of Way; thence S. 29° E. along the Southeasterly line of said Railroad Right of Way 200 feet to point of beginning, together with the house, out-buildings and improvements of every sort now thereon.

Also that certain Right of Way over, through and across the following described property, situate, lying and being in the County of Mariposa, being a right, privilege and license to erect, build, construct, repair and maintain a dam for the storage of water on the following described land, to-wit:

The NE. $\frac{1}{4}$ of the SW. $\frac{1}{4}$, the S. $\frac{1}{4}$ of the NW. $\frac{1}{4}$ of Section 26; the SE. $\frac{1}{4}$ of the NE. $\frac{1}{4}$ of Section 27; Township 3 S., Range 16 E., M. D. B. & M.

Also all rights of way, licenses and easements which Merced Stone Company has in any way acquired in connection with the

transmission line from Kittridge via Jasper Point to Merced Falls hydroelectric plant of San Joaquin Light & Power Corporation.

This order is conditional upon Merced Stone Company delivering said property to San Joaquin Light and Power Corporation free of all indebtedness and encumbrances.

The consideration paid for the property herein authorized to be transferred shall not be taken before this commission or any other public body as representing the value of said property for rate fixing or other purposes.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

Decision No. 4580, grade crossing; not printed. See end of volume.

DECISION No. 4581.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION TO SELL AND TRANSFER TO THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY ALL ITS RIGHT, TITLE AND INTEREST IN AND TO THE TELEPHONE EXCHANGE PROPERTY LOCATED AT TULARE, TULARE COUNTY, CALIFORNIA, AND THE TELEPHONE FRANCHISES COVERING THE OPERATION OF SAID EXCHANGE AND OF THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY TO ACQUIRE SAID PROPERTY AND FRANCHISES.

Application No. 3042.

Decided August 25, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

It is hereby declared that in accordance with the order heretofore made in this proceeding on August 1, 1917, The Tulare Home Telephone and Telegraph Company has filed a stipulation agreeing that neither it, its successors nor assigns, will claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted in ordinances No. CLXXVII and CXLIIV of the city of Tulare in addition to the actual cost thereof, which cost is stated to be \$50.00 for each of said two franchises.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

DECISION No. 4582.

IN THE MATTER OF THE APPLICATION OF ALBERT S. VOTAW FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 2989.

Decided August 25, 1917.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

It is hereby declared that a stipulation has been filed in accordance with the order heretofore made in this proceeding on July 27, 1917, in which applicant stipulates that neither he nor his successors or assigns will claim before the Railroad Commission or any other public body a value for the franchise granted to him by Ordinance No. 171 of the board of supervisors of Fresno County in addition to the actual cost thereof, which cost is stated to be one hundred and two dollars (\$102.00).

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

DECISION No. 4583.

PETER B. KYNE

vs.

SPRING CONSTRUCTION COMPANY.

Case No. 1026.

Decided August 25, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

It appearing that complainant does not desire to proceed further in this matter,

It is hereby ordered that the complaint herein be and the same hereby is dismissed.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

DECISION No. 4584.
IN THE MATTER OF THE APPLICATION OF TUJUNGA WATER AND
POWER COMPANY FOR LEAVE TO SELL BONDS.

Application No. 2674.

Decided August 25, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Applicant in the above-entitled matter having requested that its application be dismissed without prejudice,

It is hereby ordered that the application in the above-entitled matter be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this twenty-fifth day of August, 1917.

DECISION No. 4585.
IN THE MATTER OF THE APPLICATION OF ANDERSON WATER COM-
PANY FOR AN ORDER AUTHORIZING IT TO INSTALL METERS AND
FIXING THE RATES FOR METER SERVICE.

Application No. 2858.

Decided August 29, 1917.

Upon petition of the water company the following schedule of meter rates is established: First 1,000 cubic feet per month, 22 cents per 100; next 1,000 cubic feet, 18 cents per 100; next 3,000 cubic feet, 14 cents per 100; over 5,000 cubic feet, 10 cents per 100; monthly minimum ranging from \$1.25 for $\frac{3}{4}$ -inch meter to \$3.00 for 2-inch meter. Schedule of flat rates also established to become effective as soon as filed with the commission.

Geo. W. Mordcai, Jr., for Applicant.

BY THE COMMISSION.

OPINION.

Anderson Water Company asks for authority to establish meter rates to apply on certain services to prevent waste of water upon the system which it operates in supplying domestic water to the inhabitants of Anderson, Shasta County. A public hearing in the matter was held by Examiner Westover at Anderson. As the propriety of the metered rates sought involves a consideration of all rates, the entire situation of applicant will be considered.

Applicant has no meter rates at present. It requests in the application a monthly meter rate of \$2.00 for the first 200 cubic feet or less,

20 cents per hundred cubic feet for the next 500 cubic feet and 15 cents per hundred cubic feet for all excess water over 1,700 cubic feet.

Anderson Water Company was organized in 1885 with an authorized capital stock of 1,000 shares of the par value of \$10.00 each, all of which are now issued and outstanding. It has no indebtedness. An effort to obtain water from wells failed, and in 1889 the company finished the construction of the present reservoir and some six or seven miles of open ditch through which it conveyed water purchased from an irrigation company operating north of Anderson. In 1908 the present wells and reservoir were constructed, pumping plant installed and the distributing system improved. At present there are about 30,000 feet of distribution mains ranging in size from three-quarters inch to four inches, supplying 152 services. There is also a six-inch transmission main conducting water from the reservoir about a half mile from town. A total of about \$30,000.00 has been spent upon the system since the beginning, raised largely through numerous assessments on the stock.

Applicant submitted an inventory and appraisal showing estimated reproduction cost of \$24,312.82 without depreciation. Of this amount \$7,372.70 represents mains installed in 1888 and naturally now in poor condition. Mr. James Armstrong, one of the commission's assistant hydraulic engineers, estimates plant and system reproduction cost less depreciation at \$12,500.00, and that \$3,000.00 to \$4,000.00 will probably have to be spent upon plant and system within the next few years for improvements and replacements. The system was acquired by the present owners late in 1916 for \$5,500.00 cash, a stock of merchandise and some land, the value of which was not satisfactorily shown.

Applicant's books show an expenditure for maintenance and operation for the first six months of 1917 of \$1,821.26, of which \$329.56 was found to be properly chargeable to capital account, leaving \$1,491.70 properly chargeable to maintenance and operation. This period, however, does not include the months when most water is pumped and most power required. It was agreed at the hearing between Mr. Armstrong and applicant's manager that a fair allowance for maintenance and operation, but not including depreciation, would be \$260.00 per month or \$3,120.00 per year. Mr. Armstrong estimates the annual depreciation by straight line method at \$600.00 on plant used and useful.

The gross income for ten months from applicant's books appears to have been \$3,309.75 including sales for fire service and for street sprinkling, or approximately \$4,000.00 per annum.

The difficulty under which applicant is laboring in common with many other water utilities is that water is pumped at a fixed cost per unit of electric energy and is sold upon a flat rate without any restriction whatever upon the amount used or wasted. The cost of the water so used or wasted bears no relation whatever to the flat rate paid by the

consumer. A careful study of water used in Anderson was made which shows that abnormally large amounts are used and the evidence indicates that a very considerable portion of this abnormal amount of water supplied is absolutely wasted.

Applicant has requested that the commission also readjust its present flat rates so that the burden shall be more equally distributed between consumers. The result is the schedule of metered and flat rates found in the order. If sufficient meters are installed, especially upon services where waste has occurred in the past, it is believed these rates will produce an adequate return for applicant, largely through reducing the cost for power, and provide the needed depreciation fund without appreciably increasing the water bills of consumers. The exact result can not be anticipated as records of use under meter rates are not available, and the number of meters to be installed is not known.

ORDER.

Anderson Water Company having applied to the Railroad Commission for authority to establish meter rates for domestic water served to the inhabitants of Anderson, Shasta County, and to readjust its flat rates, and a public hearing having been held upon said application, it is hereby found as a fact that the rates heretofore in effect in so far as they differ from the rates hereinafter authorized are unjust, unreasonable and non-compensatory and that the rates authorized in the order herein are just and reasonable rates, and basing its conclusions upon said findings of fact and upon the findings of fact in the opinion preceding this order,

It is hereby ordered that Anderson Water Company be and it is hereby authorized to establish and file with the commission and immediately thereafter to receive and collect the following schedule of monthly rates to be charged by it for water from its system at Anderson, Shasta County, California, to wit:

Meter Rates.

First 1,000 cubic feet per month, per 100 cubic feet.....	22 cents
Next 1,000 cubic feet per month, per 100 cubic feet.....	18 cents
Next 3,000 cubic feet per month, per 100 cubic feet.....	14 cents
Over 5,000 cubic feet per month, per 100 cubic feet.....	10 cents

Minimum Monthly Charges.

$\frac{5}{8}$ -inch meter	\$1 25
$\frac{3}{4}$ -inch meter	1 50
1 -inch meter	2 00
1 $\frac{1}{2}$ -inch meter	2 50
2 -inch meter	3 00

All meters to be installed by Anderson Water Company at its own expense, and at option of the consumer or the company. When a meter is installed at the request of a consumer, a deposit may be required, such deposit to be returned

to the consumer as a credit on monthly water bills at the rate of one-tenth of the deposit per month. The following deposits may be required:

For $\frac{1}{8}$ -inch meter	\$10 00
For $\frac{3}{8}$ -inch meter	14 00
For 1 -inch meter	18 00
For 1 $\frac{1}{2}$ -inch meter	35 00
For 2 -inch meter	00 00

Flat Rates.

Residential use:

For every house or building occupied by a single family, per month----	\$1 25
And in addition thereto, the following special rates:	
For each additional family, per month.....	50
For each bathtub, per month.....	25
For each water-closet, per month.....	25
For each urinal, with self-closing valve, per month.....	25
For each urinal, without self-closing valve, per month.....	50
For each horse, cow, or head of stock, per month.....	15
For irrigation of lawns and gardens, each 100 square feet, or fraction, per month	02

NOTE.—Charge for lawns and gardens to be made only during period in which water is used, provided, however, that no period less than one month shall be considered.

Commercial:

For each store, bank, bakery, office, warehouse, saloon, grocery, eating house, barber shop, butcher shop, blacksmith shop, confectionery shop, hotel, lodging house, boarding house, church, hall, laundry, photograph gallery, printing office, steam engine, market, market stall, horse trough, soda fountain, or other places of business, per month-----	\$1 25
In addition to the above monthly flat rate charge of \$1.25, the following special rates:	
Public water-closets, per month	\$0 50
Public urinals, with self-closing valves, per month.....	50
Public urinals, without self-closing valves, per month.....	1 00
Public bathtubs, per month.....	50

Building purposes:

Water furnished for building or construction purposes as follows:	
Each barrel of lime or cement.....	\$0 10
Each 1,000 bricks	10
Each ton hard wall plaster.....	30
Each ton asbestos stucco.....	30
Cyrrs and gutters, regular size, per lineal foot.....	00 $\frac{1}{2}$
30-inch size, per lineal foot.....	00 $\frac{1}{2}$
Sewers, for each foot in depth of main sewer, per 100 lineal feet.....	20
House connections	50

Or any of the above by meter at meter rates.

Fire protection:

For each hydrant especially installed for fire protection or for the individual use of persons, firms, or corporations for fire purposes exclusively:	
Each 2 -inch connection per month.....	\$1 50
Each 2 $\frac{1}{2}$ -inch connection per month.....	2 00

Anderson Water Company is also authorized and directed to file with said schedule suitable rules and regulations, designed, among other things, to prevent waste of water.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4586.
PINAL DOME REFINING COMPANY

vs.
SOUTHERN PACIFIC COMPANY ET AL

Case No. 1035.
Decided August 29, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Complainant in the above-entitled matter having filed with the commission written request that the complaint in the above-entitled matter be dismissed,

It is hereby ordered that the complaint in the above-entitled matter be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4587.
IN THE MATTER OF THE APPLICATION OF PACIFIC STATES TELEPHONE AND TELEGRAPH COMPANY AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE PACIFIC STATES TELEPHONE AND TELEGRAPH COMPANY TO TRANSFER TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY CERTAIN RIGHTS OF WAY IN THE STATE OF CALIFORNIA.

Application No. 3127.
Decided August 29, 1917.

BY THE COMMISSION.

ORDER.

Whereas in this application applicants ask the Railroad Commission to make its order authorizing Pacific States Telephone and Telegraph Company, hereinafter sometimes referred to as the Pacific States company, to transfer and convey to The Pacific Telephone and Telegraph

Company, hereinafter sometimes referred to as the Pacific company, for the consideration of \$1.00, the rights of way described in Exhibit "B" attached to the above-entitled application; and

Whereas applicants report that the Pacific company is the owner of said rights of way although the title thereto stands in the name of the Pacific States company; that all of the \$17,000,000.00 of outstanding stock, and all of the indebtedness consisting of \$7,101,000.00 of gold notes of the Pacific States company are owned by the Pacific company, and that the rights of way to be conveyed and transferred are a necessary part of the telephone and telegraph system owned and operated by the Pacific company; and

Whereas it appears to the commission that this is a case in which a public hearing is not necessary and that the application should be granted,

It is hereby ordered that Pacific States Telephone and Telegraph Company be and it is hereby granted authority to transfer and convey on or before November 30, 1917, to The Pacific Telephone and Telegraph Company for the consideration of \$1.00 the property described in Exhibit "B" attached to the application herein, said property consisting of the following:

1. A right of way across property in the county of Placer, State of California, granted to the party of the first part by D. F. Rodden by that certain instrument dated November 3rd, 1905, and recorded in the office of the County Recorder of the said County of Placer on November 14th, 1905, in Book 86 of Deeds, at page 442.

2. A right of way across property in the County of Placer, State of California, granted to the party of the first part by Mrs. J. Good by that certain instrument dated November 3rd, 1905, and recorded in the office of the County Recorder of the said County of Placer on November 14th, 1905, in Book 86 of Deeds, at page 443.

3. A right of way across property in the County of Yolo, State of California, granted to the party of the first part by P. T. Langenour by that certain instrument dated November 2nd, 1905, and recorded in the office of the County Recorder of the said County of Yolo on December 26, 1906, in Volume 68 of Deeds, at page 566.

4. A right of way across property in the County of Yolo, State of California, granted to the party of the first part by E. L. Pockman by that certain instrument dated November 22nd, 1905, and recorded in the office of the County Recorder of the said County of Yolo on January 9th, 1907, in Volume 68 of Deeds, at page 615.

5. A right of way across property in the County of Yolo, State of California, granted to the party of the first part by A. M. Bemmerly by that certain instrument dated November 28th, 1905, and recorded in the office of the County Recorder of the said County of Yolo on December 26th, 1906, in Volume 68 of Deeds, at page 565.

6. A right of way across property in the County of Yolo, State of California, granted to the party of the first part by D. H. Wyckhoff

by that certain instrument dated October 31st, 1905, and recorded in the office of the County Recorder of the said County of Yolo on December 26th, 1906, in Volume 68 of Deeds, at page 567.

Within thirty days after the transfer and conveyance of the aforesaid rights of way, the Pacific company shall file with this commission a certified copy of the deed of conveyance.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4588.

CITY OF SAN JOSE

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1114.

Decided August 29, 1917.

Upon a showing by complainant that the crossing of North Fifth street with the tracks of defendant company is extremely dangerous owing to the heavy traffic using such street and the limited view obtained owing to obstructions, defendant is required to install, within three months, an automatic flagman, to be surrounded by curbing and parked to conform with present improvements of the street.

Earl Lamb and Thomas H. Reed, for city of San Jose.

George D. Squires, for Southern Pacific Company.

GORDON, Commissioner.

OPINION.

In this complaint it is alleged that the crossing of North Fifth street with the Niles line of the Southern Pacific Company is badly obscured; that Fifth street is a paved street carrying considerable traffic; that the crossing is without protection other than the usual crossing sign and is consequently dangerous to traffic. Complainant asks the Railroad Commission to order the installation of a human flagman or such other protection as the commission deems necessary. The railroad company in its reply denies the necessity of maintaining a human flagman but says it is willing to install an automatic flagman signal. A public hearing was held on this application on August 24.

North Fifth street is a wide paved street, devoted to residential purposes, which is intersected at an acute angle by the Southern Pacific Company's track. The corners of the intersections of the street are, as alleged, built up so that drivers of vehicles and others approaching the track can secure no view of trains coming from either direction.

The railroad company admitted the crossing was dangerous and the only matter in dispute is the method by which the crossing shall be protected.

The traffic over this crossing hardly warrants a human flagman during twelve hours of the day, and it is certainly not heavy enough to necessitate the installation of the two shifts of flagmen which would be required to protect it during the entire twenty-four hours. There is but one track here, which has very little switching, and under these conditions an automatic flagman, on duty all the time, is unquestionably the best method of protection when the cost is also taken into consideration.

Two methods of locating these devices have been discussed. The railroad company desires to install the flagman in the center of the street while the city has suggested two flagmen to be located on either side of the crossing at or near the curb lines. On account of the trees which line both sides of the street two flagmen at the curb lines would not afford as safe protection as one flagman in the center of the street, but the city objects to such an installation on two grounds; first, that it would be dangerous to highway traffic, and, second, that it would be unsightly and out of harmony with the surroundings.

The center of the street is unquestionably the logical place for the installation of the flagman if these objections can be removed, as I think they can be. The center of the street throughout its length is parked in several places; near the railroad crossing the curb of the park to the north is 80 feet from the track and on the south side the nearest curb is 77 feet. If an automatic flagman were installed in the center of the street as close to the railroad as possible, surrounded by a concrete curb, and parked in a manner to conform to the parking of the rest of the street, vehicle traffic would be no more in danger of running into the flagman than it now is of running over the other parking places, and the flagman and the park surrounding it would conform in appearance to the rest of the street.

I believe this should be done, especially since the cost of the curbing and parking will be trifling. The flagman should be lighted at night and a red light should show in both directions along the street when trains are approaching the crossing. The city has offered to keep the grass trimmed in the plot surrounding the flagman and it will probably desire to install a similar parking place on the opposite side of the track after this installation is made by the Southern Pacific Company.

I recommend the following form of order:

ORDER.

City of San Jose having complained of the crossing of North Fifth street by the track of Southern Pacific Company, and a public hearing

having been held, and it appearing that this crossing is dangerous and should be protected by an automatic flagman,

It is hereby ordered that Southern Pacific Company be and it is hereby ordered to install, at its own expense, three months from the date of this order, an automatic flagman for the protection of this crossing in the center of the highway; the flagman to be surrounded by a suitable curb and park to protect vehicles from running into it and to conform to the improvements on North Fifth street, in accordance with a plan which shall be submitted in advance to the Railroad Commission and approved by it.

The commission reserves the right to make such further orders relative to the protection of this crossing as to it may seem right and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4589.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY FOR AN ORDER AUTHORIZING SAID CORPORATION TO REDUCE THE NUMBER OF TRAINS OPERATING DAILY OVER ITS RAILWAY, TO MAKE CHANGES IN ITS RATES AND FOR AN INVESTIGATION AS TO NECESSITY OF SUCH REDUCTION AND CHANGES.

Application No. 2994.

Decided August 29, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the opinion and order of this commission in the above-entitled proceeding in Decision No. 4522, under date August 7, 1917, directed the applicant to establish a certain minimum time schedule and to hereafter operate such schedule until the further order of this commission; and

Whereas slight modification of the authorized schedule has been proposed and it appearing to the commission that the modification requested will more adequately serve the needs of the applicant and its patrons, and that good cause exists therefor,

It is hereby ordered that the following minimum schedule of trains be hereafter operated until the further order of this commission, in

lieu of the schedule contained in Decision No. 4522 under date August 7, 1917:

Northbound—To La Jolla.

San Diego	2 Daily, a.m.	4 Daily, a.m.	102 Daily, a.m.	6 Daily, p.m.	8 Daily, p.m.	10 Daily, p.m.	12 Daily, p.m.	14 Sat. only, p.m.
Lv. Fourth, near Broadway-----	7.10	9.00	11.15	1.45	3.45	5.40	6.45	11.00
Lv. Arctic and Ash streets-----	7.15	9.05	11.20	1.50	3.50	5.45	6.50	11.05
Lv. Lamont st.—Pacific Beach----	7.36	9.25	11.39	2.11	4.11	6.06	7.11	11.26
Lv. Pacific Beach (Ocean Front)-----	7.40	9.30	11.42	2.15	4.15	6.10	7.15	11.30
Lv. Bird Rock-----	7.45	9.35	11.49	2.20	4.20	6.15	7.20	11.35
Arv. La Jolla—Silverado Depot--	7.55	9.50	12.00	2.30	4.30	6.25	7.30	11.45

Southbound—To San Diego.

La Jolla	1 Daily, a.m.	3 Daily, a.m.	5 Daily, a.m.	103 Daily, p.m.	7 Daily, p.m.	9 Daily, p.m.	11 Daily, p.m.	13 Sat. only, p.m.
Lv. Silverado Depot-----	6.10	7.30	10.15	12.45	2.35	4.40	5.40	7.20
Lv. Bird Rock-----	6.19	7.39	10.26	12.54	2.45	4.45	5.49	7.27
Lv. Pacific Beach (Ocean Front)-----	6.23	7.44	10.31	1.00	2.50	4.51	5.53	7.32
Lv. Lamont st.—Pacific Beach----	6.28	7.48	10.36	1.04	2.54	4.55	5.58	7.35
Lv. Arctic and Ash streets-----	6.50	8.10	10.55	1.24	3.14	5.15	6.20	7.56
Arv. Fourth near Broadway, San Diego -----	6.55	8.15	11.00	1.29	3.20	5.25	6.25	8.00

Applicant is hereby directed to establish the time schedule herein authorized after five days notice will have been given to the traveling public by posting in all agency stations and the filing of three copies of schedule with this commission.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4590.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY FOR PERMISSION TO EXERCISE THE RIGHTS GRANTED TO IT UNDER ORDINANCE No. 290 OF THE CITY OF GILROY.

Application No. 2983.

Decided August 29, 1917.

Applicant granted a certificate permitting the exercise of rights under a franchise secured from the city of Gilroy, provided it file a stipulation to the effect that no value shall ever be claimed for such franchise in excess of the actual original cost thereof.

W. Waldo Coleman, for Applicant.

BY THE COMMISSION.

OPINION.

This is the application of the Coast Counties Gas and Electric Company for a certificate of public convenience and necessity to exercise rights and privileges granted to it by the city of Gilroy and Ordinance No. 290 passed and adopted on the seventh day of May, 1917, by the city council of the city of Gilroy.

A public hearing in this matter was held before Examiner Eneell at Gilroy on July 17, 1917.

Coast Counties Gas and Electric Company is the lessee of an electric distribution system owned by the city of Gilroy under a lease entered into on the first day of December, 1915, for a period of ten years from and after February 20, 1916. In the above-mentioned lease the lessee agreed "to remove its high tension pole line on Monterey street from Lewis street to I. O. O. F. avenue prior to said first day of October, 1916." In order to carry out this provision of the lease, applicant obtained permit by Ordinance No. 290 of the city of Gilroy and thereafter filed with the Railroad Commission its application for the right to exercise said permit.

Ordinance No. 290 grants authority to Coast Counties Gas and Electric Company to change part of the route of electric power lines along and across certain highways, rights of way of the city of Gilroy, which said route is maintained under Ordinance No. 243 of the city of Gilroy. It appears that a certificate to exercise this permit should be granted.

ORDER.

Coast Counties Gas and Electric Company having applied to this Commission for a certificate to exercise the rights granted to it by Ordinance No. 290 of the city of Gilroy, and a public hearing having been held thereon and the Railroad Commission being fully advised in the premises,

It is hereby declared that the present and future public convenience and necessity require and will require the exercise by Coast Counties Gas and Electric Company, its successors and assigns, of the rights and privileges conferred by Ordinance No. 290 of the city of Gilroy, adopted by the mayor and common council of the city of Gilroy on the seventh day of May, 1917, on the following conditions and not otherwise to wit:

That Coast Counties Gas and Electric Company, a corporation, shall first have filed with the Railroad Commission of the state of California a stipulation duly authorized by its board of directors agreeing that Coast Counties Gas and Electric Company, its successors or assigns, will never claim before the Railroad Commission or any other public authority any value for the permit granted by said Ordinance No. 290 of the board of trustees of the city of Gilroy in excess of the actual cost thereof to the said Coast Counties Gas and Electric Company, a corporation, which cost shall be stated in the stipulation and shall have secured from the Railroad Commission a supplemental order herein, declaring that such stipulation in form satisfactory to the commission has been filed.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4591.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE DECLARING THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION AND OPERATION OF AN ELECTRICAL DISTRIBUTING SYSTEM IN THE TOWN OF BLYTHE AND VICINITY.

Application No. 2835.

Decided August 29, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

It is hereby declared that in accordance with the order heretofore made in this proceeding on June 14, 1917, Southern Sierras Power Company has filed a stipulation duly authorized by its board of directors, declaring that neither said company, its successors nor assigns, will ever claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted in Ordinance No. 127 of the county of Riverside, in excess of the actual cost of acquiring said rights and privileges, which cost is stated to be \$1,200.00.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4592.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE No. 25 OF THE CITY OF MONTEREY PARK, LOS ANGELES COUNTY.

Application No. 3008.

Decided August 29, 1917.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

It is hereby declared that Los Angeles Gas and Electric Corporation has filed a stipulation in accordance with the order heretofore made on August 1, 1917, declaring that neither it, its successors nor assigns, will ever claim a value for the rights and privileges granted by Ordinance No. 25 of the city of Monterey Park in excess of the actual cost thereof, which cost is stated to be \$202,50.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

Decision No. 4593, grade crossing; not printed. See end of volume.

DECISION No. 4594.

IN THE MATTER OF THE APPLICATION OF THE CITY OF SAN BUENAVENTURA TO ASCERTAIN THE VALUE AND FIX AND DETERMINE JUST COMPENSATION TO BE PAID TO THE VENTURA COUNTY POWER COMPANY FOR THE ACQUISITION BY SAID CITY OF ITS DISTRIBUTING SYSTEM FOR ELECTRICITY, EXCLUSIVE OF REAL PROPERTY IN SAID CITY.

Application No. 2988.

Decided August 29, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

City of San Buenaventura having on August 23, 1917, made written request that this proceeding be dismissed,

It is hereby ordered that the application herein be and the same hereby is dismissed without prejudice.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4595.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA GRANTING IT A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE BY IT OF THE RIGHTS AND PRIVILEGES CONFERRED UPON IT UNDER THE FRANCHISE GRANTED IT BY THE BOARD OF TRUSTEES OF THE CITY OF CHICO, BY ORDINANCE No. 149 ON THE FIFTEENTH DAY OF MAY, 1917.

Application No. 3029.

Decided August 29, 1917.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission hereby declares that the Pacific Telephone and Telegraph Company has filed with the Railroad Commission a stipulation, duly authorized by its board of directors, in form satisfactory to the Railroad Commission, agreeing for itself, its successors and assigns, that it will never claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges conferred by Ordinance entitled: "An Ordinance granting a franchise to Pacific Telephone and Telegraph Company" by the city of Chico, adopted May 15, 1917, in excess of the amount paid therefor by the grantee of the franchise, which amount is declared in said stipulation to have been the sum of \$184.47.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4596.

IN THE MATTER OF THE APPLICATION OF ECONOMIC GAS COMPANY FOR AN ORDER APPROVING AN ISSUE OF BONDS OF SAID CORPORATION OF THE FACE VALUE OF NINE HUNDRED AND THIRTY THOUSAND DOLLARS.

Application No. 500.

Decided August 29, 1917.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered that the time within which Economic Gas Company may issue the \$141,000.00 of bonds authorized by Decision

No. 2355, dated May 5, 1915, as amended (Vol. 6, Opinions and Orders of the Railroad Commission of California, p. 792), be and the same is hereby extended to June 30, 1918, provided that the sale of said bonds on behalf of applicant be made by C. W. Conlisk, Allen L. Chickering and Ferd Reis, Jr., trustees, and provided further that the sale of said bonds be made subject to the terms, limitations and conditions of the order in Decision No. 2355, dated May 5, 1915, as amended.

It is hereby further ordered that the order in Decision No. 2355, dated May 5, 1915, as amended, shall remain in full force and effect except as modified by this fifth supplemental order.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4597.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE EXTENSION OF ITS PLANT AND SYSTEM AND THE EXERCISE OF FRANCHISE RIGHTS ALONG AND UPON PUBLIC HIGHWAYS OF THE COUNTY OF SAN BERNARDINO.

Application No. 3047.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE EXTENSION OF ITS PLANT AND SYSTEM AND THE EXERCISE OF FRANCHISE RIGHTS ALONG AND UPON PUBLIC HIGHWAYS OF THE COUNTY OF INYO.

Application No. 3048.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE EXTENSION OF ITS PLANT AND SYSTEM AND THE EXERCISE OF FRANCHISE RIGHTS ALONG AND UPON PUBLIC HIGHWAYS OF THE COUNTY OF RIVERSIDE.

Application No. 3049.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY WILL REQUIRE THE EXTENSION OF ITS PLANT AND SYSTEM AND THE EXERCISE OF FRANCHISE RIGHTS ALONG AND UPON PUBLIC HIGHWAYS OF THE COUNTY OF KERN.

Application No. 3050.

Decided August 29, 1917.

Applicant granted certificate permitting exercise of rights under franchises authorizing the extension of electrical distributing lines in the unincorporated territory

of San Bernardino, Inyo, Riverside and a portion of Kern counties, it already having filed a stipulation to the effect that no value shall hereafter be claimed for such franchises in excess of the actual original cost thereof.

I. B. Potter, for Applicant.

BY THE COMMISSION.

OPINION.

The Southern Sierras Power Company herein applies for certificates of public convenience and necessity to exercise franchise rights in unincorporated territory in the counties of San Bernardino, Inyo, Riverside and Kern under franchises described in the order. A public hearing upon these applications was held by Examiner Westover at Riverside. By stipulation all four applications were heard together.

Applicant constructed lines and commenced operation in all four counties under franchises procured prior to the amendment of the Broughton Act in 1915. These franchises covered the entire unincorporated territory of the counties of Inyo, San Bernardino and Riverside and the eastern part of Kern County. Certificates of public convenience and necessity were granted to exercise franchise rights and privileges in the counties of Inyo, Kern and San Bernardino by decisions of this commission. The franchise in Riverside County was exercised prior to the effective date of the Public Utilities Act. These original franchises required that construction work be completed within three years. Since the amendment of the Broughton Act in 1915, authorizing the granting of franchises to electric corporations without limiting the period of construction, applicant has been granted fifty-year franchises in the four counties named without such three year limitation. Applicant is now able under its new franchises to continue to make such extensions as the demand for service justifies without the necessity of obtaining new franchises every three years.

The new franchise obtained from the county of Kern covers the same territory as covered by the previous franchise, the right to exercise which was granted by this commission in its Decision No. 667, Application 524 (Opinions and Orders of the Railroad Commission of California, Vol. 2, p. 877).

In connection with application of Pacific Light and Power Corporation for authority to exercise franchise rights in Kern County, Application 2225, The Southern Sierras Power Company agreed not to oppose the granting to Pacific Light and Power Corporation of the right to exercise the latter's franchise west of a line considerably east of the western boundary of The Southern Sierras Power Company's franchise in Kern County.

The rights of The Southern Sierras Power Company in the territory covered by the overlapping certificates were not withdrawn, but at this

time applicant asks for authority to exercise its franchise in that part of Kern County east of the easterly boundary line as set forth in Decision No. 3341 in Application 2225 (Opinions and Orders of the Railroad Commission of California, Vol. 10, p. 108), which line is as follows:

Beginning at the southwest corner of township 9 north, range 9 west, S. B. B. and M., being a point on the southern boundary line of Kern County, thence diagonally west of north to the southwest corner of township 27 south, range 36 east, M. D. B. and M., thence due north to the northwest corner of township 25 south, range 36 east, M. D. B. and M., being a point on the northern boundary of Kern County.

Since the hearing applicant has filed with the commission a certified copy of resolution of its board of directors adopted August 2, 1917, to the effect that it stipulates and agrees that applicant, its successors or assigns will never claim before the Railroad Commission or any court or other public body a value for any rights or privileges in excess of the actual cost thereof to applicant, which costs are stated in the resolution to be: In Inyo County, \$132.97; in Kern County, \$100.00; San Bernardino County, \$106.05; Riverside County, \$1,200.00; and authorizing and directing the filing of a certified copy of the resolution as its stipulation to the above effect. The amount stated as the cost to applicant in each instance represents the amount bid, and includes the cost of advertising, which was paid by the county in each instance.

ORDER.

The Southern Sierras Power Company having applied for an order substantially as hereinafter contained, a public hearing having been held upon its applications and the commission being now fully advised in the premises; and applicant having filed with the Railroad Commission a stipulation duly authorized by its board of directors in form satisfactory to the commission declaring that The Southern Sierras Power Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges in excess of the actual cost to it of acquiring said rights and privileges, which cost is represented by said The Southern Sierras Power Company in said stipulation to have been \$132.97 for its franchise in Inyo County, \$100.00 for its franchise in Kern County, \$106.05 for its franchise in San Bernardino County, and \$1,200.00 for its franchise in Riverside County.

The Railroad Commission of the state of California hereby declares that

1. Present and future public convenience and necessity require and will require the extension by The Southern Sierras Power Company of

its electric system in the unincorporated territory of the county of San Bernardino and the exercise by it of the franchise rights and privileges conferred upon it by Ordinance No. 172 of the county of San Bernardino, adopted August 14, 1916.

2. Present and future public convenience and necessity require and will require the extension of The Southern Sierras Power Company of its electric system in the unincorporated territory of the county of Inyo and the exercise by it of the franchise rights and privileges conferred upon it by Ordinance No. 150 of the county of Inyo, adopted August 15, 1916.

3. Present and future public convenience and necessity require and will require the extension by The Southern Sierras Power Company of its electric system in the unincorporated territory of the county of Riverside and the exercise by it of the franchise rights and privileges conferred upon it by Ordinance No. 127 of the county of Riverside, adopted August 9, 1916.

4. Present and future public convenience and necessity require and will require the extension by The Southern Sierras Power Company of its electric system in the unincorporated territory of the county of Kern east of a certain line described in the opinion preceding this order and the exercise by it in the same territory of the franchise rights and privileges conferred upon it by Ordinance No. 119 of the county of Kern, adopted October 7, 1916.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

DECISION No. 4598.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND WM. G. HENSHAW FOR AUTHORITY FOR SAID HENSHAW TO SELL AND SAID RAILROAD COMPANY TO PURCHASE ALL THE OUTSTANDING SHARES OF THE CAPITAL STOCK OF RIVERSIDE, RIALTO AND PACIFIC RAILROAD COMPANY, AND FOR AUTHORITY PERMITTING LOS ANGELES AND SALT LAKE RAILROAD COMPANY TO ULTIMATELY ACQUIRE TITLE TO THE PROPERTY, RIGHTS AND FRANCHISES OF SAID RIVERSIDE, RIALTO AND PACIFIC RAILROAD COMPANY.

Application No. 3070.

Decided August 29, 1917.

Wm. G. Henshaw authorized to sell \$300,000.00 par value of stock of the Riverside Railroad Company to the Salt Lake Railroad Company for the sum of \$465,000.00, provided that the amount paid shall not be binding upon any regulatory body as representing the value of the property transferred and also,

that the commission shall first approve the form of book entries to be made by the Salt Lake Company covering the transaction.

Purchasing company required to render as adequate freight and passenger service either by itself or through lease agreements as was heretofore given, unless otherwise ordered by the commission.

A. S. Halsted, for Los Angeles and Salt Lake Railroad Company.

C. L. McFarland, for Wm. G. Henshaw and Riverside, Rialto, and Pacific Railroad Company.

C. E. Tibbot and *R. E. Hodge*, for city of Rialto.

Frank Karr, for Pacific Electric Railway Company.

Oscar Ford, for city of Riverside.

A. B. Miller, for the Fontana District.

C. Van Zwalenburg, for Riverside Chamber of Commerce.

GORDON, *Commissioner*.

OPINION.

In this application Los Angeles and Salt Lake Railroad Company, hereinafter at times referred to as the Salt Lake company, asks authority to purchase from Wm. G. Henshaw all of the outstanding stock, \$300,000.00 par value, of Riverside, Rialto and Pacific Railroad Company, hereinafter at times referred to as the Riverside company, for \$465,000.00 plus a sum in cash equal to the amount of all cash held by and belonging to the Riverside, Rialto and Pacific Railroad Company at the date of the transfer of the stock, plus an amount in cash equal to the accounts and bills receivable collected subsequent to the date of the transfer, as more fully set forth in the agreement attached to the application and marked Exhibit "C."

The application also contemplates the transfer of the properties of the Riverside, Rialto and Pacific Railroad Company to the Los Angeles and Salt Lake Railroad Company. Such transfer is to be made as soon as possible after the transfer of the stock. This method of procedure is preferred by applicants because of its more expeditious nature of transferring and acquiring Wm. G. Henshaw's interest in the properties of Riverside, Rialto and Pacific Railroad Company. Counsel for the Salt Lake company stated that unless his company would be permitted to ultimately acquire the properties of the Riverside company, it would not purchase the stock of said company. In other words, the right to purchase the properties is a condition precedent to the purchase of the stock.

Under the terms of the agreement of sale, the properties are to be transferred to the Salt Lake company free and clear of all indebtedness and encumbrances.

From the proceeds obtained from the sale of the stock and the cash paid by the Salt Lake company, to Wm. G. Henshaw, he is obliged to pay the indebtedness of the company.

On July 31, 1917, Riverside, Rialto and Pacific Railroad company reported assets and liabilities as follows:

<i>Assets.</i>	
Investment :	
Road -----	\$481,860 05
Equipment -----	34,584 33
General expenditures -----	12,015 58
Sinking fund -----	25,000 00
Total -----	\$553,459 96
Current assets :	
Cash -----	\$32,256 45
Freight advances -----	481 22
Los Angeles office loan -----	3,635 53
Traffic balances receivable -----	3,032 02
Crestmore station -----	1,382 78
Accounts receivable -----	7,246 69
Material and supplies -----	5,922 32
Glendale and Montrose Railway loan -----	6,032 51
Demurrage -----	21 00
Total -----	60,010 52
Unadjusted debits :	
Discount funded debt -----	\$123 98
Suspense -----	250 00
Total -----	373 98
Total assets -----	\$613,844 46
<i>Liabilities.</i>	
Capital liabilities :	
Capital stock -----	\$500,000 00
Unissued stock -----	200,000 00
Capital stock outstanding -----	\$300,000 00
Long term debt :	
Funded debt -----	200,000 00
Wm. G. Henshaw current account -----	23,001 38
Total -----	223,001 38
Current liabilities :	
Traffic balances payable -----	\$37,271 77
Audited pay rolls and vouchers -----	3,030 24
Other current liabilities -----	33 58
Unmatured interest accrued -----	166 65
Total -----	40,502 24

Unadjusted credits: Accrued depreciation.....	84,436 22	
Tax liability	1,618 25	
		<hr/>
Total		2,817 97
Deferred liabilities:		
Hospital fund		176 59
Corporate surplus:		
Sinking fund	\$25,000 00	
Profit and loss.....	22,256 28	
		<hr/>
Total		47,256 28
		<hr/>
Total liabilities		\$613,844 46

Reference is here made to Decision No. 1983, dated December 3, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, page 18), in which the commission established the reproduction cost new and the reproduction cost new less depreciation of the properties of the Riverside company. The former as of June 30, 1914, was found to be \$457,885.69, the latter \$430,052.55. Reference is also made to Decision No. 2108, dated January 29, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission of California, page 106), whereby the commission authorized Wm. G. Henshaw to transfer the railway properties to Riverside, Rialto and Pacific Railroad Company in exchange for \$300,000.00 of capital stock and \$200,000.00 of 2½-year 6 per cent notes. The purchase price, \$465,000.00, of the stock, is based upon the reproduction cost new less depreciation as found by the commission in Decision No. 1983, plus the cost of additions and betterments installed subsequent to June 30, 1914.

Under the terms of the agreement of sale, Salt Lake company agrees to pay \$100,000.00 in cash upon the date of delivery of the stock and to give four promissory notes for the remaining \$365,000.00. Of the notes \$100,000.00 is to be paid within 30 days; \$100,000.00 within 60 days; \$100,000.00 within 90 days and \$65,000.00 within 120 days after the delivery of the stock. The Salt Lake company intends ultimately to finance the purchase of the stock through the issue of its first mortgage bonds.

Under an agreement dated March 1, 1915, the Pacific Electric Railway Company is at this time operating an electric passenger service over the lines of the Riverside company. In fact, the entire passenger business over this line is taken care of by the Pacific Electric. Under the agreement, which has been approved by the commission by its Decision No. 2246, dated March 19, 1915, the Pacific Electric is also permitted to operate freight cars over the line of the Riverside company between and including Riverside and Rialto, so long as it does not serve without the consent of the Riverside company any industries or stations exclusively

on said railway for freight traffic. The agreement further provides that freight traffic will be interchanged at Rialto and Riverside on a basis whereby the Pacific Electric will be on an equality with steam lines as to facilities and divisions and entitled to the use of tracks as necessary for joint interchange of freight at Rialto and Riverside. The agreement provides that it shall take effect as of March 15, 1915, and shall remain in full force and effect for a period of two and one-half years, subject to termination by either party upon giving six months' written notice to that effect to the other party at any time after two years from the effective date. Because of this agreement, Pacific Electric takes the position that if the stock of the Riverside company, and ultimately its properties, be merged with those of the Salt Lake company, it will no longer be on an equality with the Salt Lake company in so far as freight traffic is concerned. Mr. Nutt, general manager of the Salt Lake company, frankly admitted that if his company were permitted to acquire the properties he would endeavor to secure for his company as much of the freight traffic as possible. The Salt Lake company is willing to renew the agreement between the Riverside, Rialto and Pacific Railroad Company and the Pacific Electric, but is not willing, so far as freight traffic is concerned, to make any distinction in favor of the Pacific Electric as compared with the other connecting carriers, viz., the Southern Pacific and the Santa Fe.

I do not believe that it is necessary for this commission in this proceeding to consider questions of division of traffic or of rates between the Salt Lake company and other connecting or competing lines, nor is it now called upon to pass on any operating agreements between the companies. This is a matter which if the companies are unable to amicably adjust, can be taken care of by the commission in some subsequent proceeding. The commission is interested to have assurances that the passenger and freight service under the new control and ownership will at least be equally as good, and the public will be as efficiently served as it now is, and such assurances were given by the representatives of the Salt Lake.

R. E. Hodge, appearing for the city of Rialto, and C. Van Zwalenburg, appearing for the Riverside Chamber of Commerce, called the commission's attention to the bonus subscriptions by residents of Rialto, Bloomington, Riverside and intervening communities, to aid in the construction of this railway. The bonuses were given upon a specific understanding that a certain passenger service should be maintained. Neither Mr. Hodge nor Mr. Van Zwalenburg objected to the granting of the application, provided the present freight and passenger service is maintained after the transfer of this stock and sale of the properties. There is no definite evidence before the commission at this time showing

that the Salt Lake company intends to discontinue any service, or that the Pacific Electric, which now takes care of the passenger business, has any such action in view.

I herewith submit the following form of order:

ORDER.

Los Angeles and Salt Lake Railroad Company having applied to this commission for authority to purchase from Wm. G. Henshaw \$300,000.00 of capital stock of the Riverside, Rialto and Pacific Railroad Company, and a public hearing having been held, and it appearing to the commission that this application should be granted,

It is hereby ordered that Los Angeles and Salt Lake Railroad Company be and it is hereby granted authority to purchase from Wm. G. Henshaw \$300,000.00 par value of capital stock for the sum of \$465,000.00 pursuant to the terms of the agreement attached to the application and marked Exhibit "C."

The authority hereby granted is granted upon the following conditions, and not otherwise:

1. The amount which Salt Lake company is permitted to pay for the stock of the Riverside, Rialto and Pacific Railroad Company shall not be considered as a measure of value of said company before this commission or any court or other regulatory body.

2. Unless otherwise authorized by the commission, the Los Angeles and Salt Lake Railroad Company, either on its own behalf or through lease agreements, shall maintain as adequate freight and passenger service as is now offered by the Riverside, Rialto and Pacific Railroad Company.

3. The authority hereby granted to purchase the stock of the Riverside, Rialto and Pacific Railroad Company shall apply only to such stock as may be acquired on or before November 30, 1917.

4. The authority herein granted shall not become effective until the Railroad Commission shall have approved the form of the book entries to be made by the Salt Lake company, covering the transaction herein authorized to be made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1917.

Decision No. 4599, grade crossing; not printed. See end of volume.

DECISION No. 4600.

IN THE MATTER OF THE APPLICATION OF SAN JOSE WATER WORKS TO BUY, AND OF J. D. FARWELL TO SELL, THE WATER SYSTEM OF J. D. FARWELL, AND OF SAN JOSE WATER WORKS FOR AN ORDER FIXING RATES TO BE CHARGED BY IT ON ITS NEW "HIGH LINE" TO BE BUILT BY IT, AND FOR RULES AND REGULATIONS CONCERNING THE SAME.

Application No. 2892.

Decided August 30, 1917.

Farwell authorized to transfer to the San Jose Water Works for the sum of \$2,000.00 a certain small water distributing system in the vicinity of Los Gatos.

S. F. Leib, for Applicant.

J. D. Farwell, in *propria persona*.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover upon above application for leave to sell a small water system in the vicinity of Los Gatos, Santa Clara County, and for an order fixing rates to be charged by San Jose Water Works for water to be served by it through its so-called "high line" now being installed upon the wooded ridge between Los Gatos and Saratoga, Santa Clara County.

Mr. Farwell's water system was installed about 1909 at a cost of about \$3,500.00 to aid in the development and sale of lands in the vicinity of Los Gatos. The parties have agreed upon a purchase price of \$2,000.00 for the distributing system, Mr. Farwell retaining his pump and motor, which originally cost about \$400.00; Mr. Farwell is to operate the system at his own expense until September 1, 1917, and retain all earnings accruing prior to that date, at which time the purchase price is to be paid. The price is based upon estimates of Mr. P. D. Rice, engineer for San Jose Water Works, showing the depreciated cost of the Farwell system, less cost of removing certain portions of it, to be \$1,934.62. The commission's engineers have made no valuation of the property in question, but from their check of Mr. Rice's figures the price of \$2,000.00 appears to be reasonable for the purposes of the present application. The testimony shows that the rates will be reduced and the service improved by the transfer. It is therefore authorized, by the order herein.

A more difficult question is presented by the application for leave to establish special rates, rules and regulations to apply on the so-called

“high line,” higher and more burdensome than those in effect on applicant’s system in San Jose and Los Gatos or in Saratoga.

The question of rates to be charged to patrons served from the “high line” will be the subject of a subsequent separate opinion and order.

ORDER.

San Jose Water Works, a corporation, and J. D. Farwell, having applied to the Railroad Commission for authority to transfer the water system hereinafter described, and a public hearing having been held thereon, and the matter being submitted and ready for decision,

It is hereby ordered that said J. D. Farwell is hereby authorized to convey to said San Jose Water Works that certain water system and water business situated near the town of Los Gatos, Santa Clara County, owned and operated by him together with all contracts, for the purchase or sale of water, all rights of way, pipes, pipe lines, meters, tanks, buildings, equipment, tools, implements, and all other property, appliances and appurtenances used in connection therewith, except the five-horsepower Westinghouse motor, the Gould Triplex pump, and the the shafting, belting, pulleys and other appurtenances of said motor and pump now used by the seller in connection with said motor and pump; also all the right, title and interest in and to the rights of way for pipe lines derived in and by the following conveyances to said J. D. Farwell:

(a) Deed from John G. Withey, dated April 13, 1910, and recorded on the fifteenth day of April, 1910, in Volume 356 of Deeds, at page 133, Records of Santa Clara County, California.

(b) Deed of M. S. Bowdish, dated April 13, 1910, and recorded on the fifteenth day of April, 1910, in Volume 356 of Deeds, at page 131, Records of Santa Clara County, California.

(c) Deed of A. E. Fake, dated April 9, 1910, and recorded on the fifteenth day of April, 1910, in Volume 356 of Deeds, at page 134, Records of Santa Clara County, California;

And all other rights of way used in or connected with said system.

All of said property is to be conveyed upon receipt of the agreed purchase price of \$2,000.00.

This order is made upon the following conditions:

1. The price at which said property is being conveyed shall never be urged before the Railroad Commission or other public authority as representing for rate making or any other purpose the fair value of the property.

2. The authority herein contained shall extend only to such conveyances as shall be made within thirty days from date hereof.

3. Within ten days after conveyance is delivered to it, San Jose Water Works shall report to the commission in writing the fact and

date of conveyance, the amount of the purchase price paid and file with the commission a copy of all instruments of conveyance executed in connection therewith.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4601.

IN THE MATTER OF THE APPLICATION OF TULARE HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 2951.

Decided August 30, 1917.

Applicant authorized to execute a deed of trust and issue thereunder \$15,000.00 face value 6 per cent bonds to be sold at not less than 93, proceeds to be used partly to discharge two promissory notes aggregating the sum of \$8,000.00, the balance for additions and betterments to plant.

Harris & Hayhurst by L. B. Hayhurst, for Applicant.

James T. Shaw, for Sunset Telephone and Telegraph Company.

GORDON, Commissioner.

OPINION.

In this application Tulare Home Telephone and Telegraph Company asks authority to execute a deed of trust to secure the payment of \$25,000.00 face value of 6 per cent serial bonds, and to issue of said bonds at this time \$15,000.00 at not less than 93 per cent of their face value plus accrued interest.

Applicant asks permission to expend the proceeds from the sale of the bonds for the following purposes:

- | | |
|--|------------|
| (a) To pay one-day 8 per cent \$4,500.00 note, dated May 20, 1914,
held by First National Bank of Tulare..... | \$4,500 00 |
| (b) To pay one-day 8 per cent \$3,500.00 note, dated June 10, 1914,
held by National Bank of Tulare..... | 3,500 00 |
| (c) To pay for extensions, additions and betterments..... | 6,000 00 |

The extensions, additions and betterments which applicant intends to install, consist of the following:

(a) New switchboard	\$3,437 00
(b) Freight and incidental expenses in connection with new switchboard	525 00
(c) Labor, etc., installing new switchboard	200 00
(d) 375 harmonic ringers	690 00
(e) Installing ringers in present telephones	100 00
(f) Installing approximately 50 telephones, hanging small amount of cable, building lines, etc., during next 9 months	1,033 00
(g) Miscellaneous expense	15 00
Total	<u>\$6,000 00</u>

In the Railroad Commission's Exhibit Number "1," the assets and liabilities of applicant, as of April 30, 1917, are reported as follows:

<i>Assets.</i>	
Plant and equipment:	
Central office equipment	\$6,028 52
Construction outside	25,177 47
Subscribers stations	9,147 28
Miscellaneous equipment	2,371 21
Buildings and improvements	314 40
Total	<u>\$43,068 88</u>
Less depreciation reserve	19,304 16
	<u>\$23,764 72</u>
Cash	2,306 51
Accounts receivable	761 94
Stock discount	8,937 47
Suspense:	
Construction charges account of state law	540 40
Construction in process	163 65
Bond expense	74 20
	<u>\$36,548 89</u>
<i>Liabilities.</i>	
Capital stock	\$24,930 00
Notes payable	8,000 00
Advance rentals	312 09
Accounts payable	267 70
Surplus	3,039 10
	<u>\$36,548 89</u>

In arriving at the surplus as of April 30, 1917, no allowance was made for taxes and depreciation during the period from January 1, 1917, to April 30, 1917.

The revenues and expenses for the years 1915, 1916 and the four months ending April 30, 1917, in Railroad Commission's Exhibit No. 1, are reported as follows:

Item	1915	1916	Four months ending April 30, 1917
Operating revenues -----	\$17,043 87	\$17,764 27	\$5,999 07
Operating expenses -----	12,080 01	13,254 75	2,954 46
Net telephone operating revenues---	\$4,963 86	\$4,509 52	\$3,044 61
Less taxes assignable to operations---	756 01	739 88	-----
Operating income -----	\$4,207 85	\$3,769 64	\$3,044 61
Nonoperating revenue -----		62 70	21 00
Gross income -----	\$4,207 85	\$3,832 34	\$3,065 61
Deductions—			
Rent -----	\$804 45	\$752 00	\$281 50
Interest -----	640 60	640 80	160 00
Total deductions -----	\$1,445 05	\$1,392 30	\$441 50
Net income -----	\$2,762 80	\$2,440 04	\$2,624 11
Surplus beginning of year-----	\$1,024 01	\$1,679 49	\$1,661 05
Miscellaneous additions to surplus---	388 38	51 25	2 95
Deductions from surplus-----	2 70	16 73	2 51
Balance -----	\$4,172 49	\$4,154 05	\$4,285 60
Less dividends paid-----	2,493 00	2,493 00	1,246 50
Surplus end of year-----	\$1,679 49	\$1,661 05	\$3,039 10

Reference is here made to Decision No. 4501, dated August 1, 1917, authorizing The Pacific Telephone and Telegraph Company to convey and transfer certain telephone properties.

Applicant alleges that it is the owner of two franchises, one a 25-year franchise granted to Sunset Telephone and Telegraph Company in 1896, the other a 50-year franchise granted in 1912 to S. P. Sibley. The validity of the latter franchise was questioned at the hearing because applicant had failed to pay to the city of Tulare 2 per cent of its gross receipts as required by the franchise. Since the hearing of this application, applicant has filed with the commission a statement showing that it has paid the back license taxes due under the Sibley franchise. Apparently, the city authorities of Tulare recognize the Sibley franchise as valid.

Applicant proposes to execute a deed of trust securing the payment of \$25,000.00 face value of 6 per cent bonds. These bonds to be issued in two series:

Series "A" comprising-----	\$15,000 00
Series "B" comprising-----	10,000 00

Of the Series "A" bonds \$500.00 are to mature September 1, 1919, and \$500.00 annually thereafter to and including September 1, 1927; while \$1,000.00 of said bonds are to mature annually from September 1, 1928, to September 1, 1937, both years inclusive. The Series "B" bonds are to mature September 1, 1937. At this time applicant desires to issue all of its Series "A" bonds at not less than 93 per cent of their face value plus accrued interest.

At the hearing of this application counsel for applicant stated that he would submit to the commission for approval the revised copy of applicant's proposed deed of trust. Until such copy is filed with the commission and approved by it, it is obvious that no final authority to issue the bonds can be given at this time.

The testimony shows that the proceeds from the notes which applicant desires to pay, have been expended for proper capital purposes. The engineering department of the commission has checked the estimated cost of the proposed extensions, additions and betterments and finds such cost to be reasonable.

I recommend that this application be granted subject to the conditions indicated in the order, and submit the following form of order:

ORDER.

Tulare Home Telephone and Telegraph Company having applied to this commission for authority to execute a deed of trust securing the payment of \$25,000.00 face value of 6 per cent bonds, and for authority to issue at this time \$15,000.00 of said bonds and a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Tulare Home Telephone and Telegraph Company be and it is hereby granted authority to execute a deed of trust securing the payment of \$25,000.00 face value of 6 per cent bonds.

It is hereby further ordered that Tulare Home Telephone and Telegraph Company be and it is hereby granted authority to issue \$15,000.00 face value of its bonds, the payment of which is to be secured by the aforesaid deed of trust.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The bonds hereby authorized to be issued shall be issued at not less than 93 per cent of their face value plus accrued interest in cash.

2. None of the bonds hereby authorized to be issued, shall be issued until this commission has made its order authorizing applicant to execute a deed of trust to secure the payment of said bonds.

3. The proceeds obtained from the sale of the bonds shall be expended for the following purposes and none other:

(a) The sum of \$8,000.00 to pay the following notes:

- (1) A \$4,500.00 8 per cent note dated May 20, 1914, held by First National Bank of Tulare.
- (2) A \$3,500.00 8 per cent note dated June 10, 1914, held by National Bank of Tulare.

(b) The remainder, approximately \$5,950.00, to pay in whole or in part for the following extensions, additions and betterments:

1. New switchboard	\$3,437 00
2. Freight and incidental expenses in connection with new switchboard	525 00
3. Labor, etc., installing new switchboard.....	200 00
4. 375 harmonic ringers.....	690 00
5. Installing ringers in present telephones.....	100 00
6. Installing approximately 50 telephones, hanging small amount of cable, building lines, etc., during next 9 months.....	1,033 00
7. Miscellaneous expense	15 00
Total	\$6,000 00

4. Tulare Home Telephone and Telegraph Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority hereby granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

6. The authority hereby granted shall apply only to such bonds as shall have been issued on or before December 15, 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4602.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS.

Application No. 3140.

Decided August 30, 1917.

Applicant authorized to issue \$715,000.00 face value of its 6 per cent first and refunding mortgage bonds, to sell at the present time, \$594,000.00 face value at not less than 95, proceeds to cover expenditures made for additions and betterments to plant. The balance of \$151,000.00 face value of bonds to be issued only when permissible under the provisions of its first and refunding mortgage.

Short & Sutherland, by W. A. Sutherland, for Applicant.

THELEN, Commissioner.

OPINION.

In this application, as amended, San Joaquin Light and Power Corporation asks authority to issue and sell at not less than 95 per cent of their face value, plus accrued interest, \$745,000.00 of its Series "C" 6 per cent first and refunding mortgage bonds due August 1, 1950.

The testimony in this proceeding shows that applicant may at this time, under its first and refunding mortgage, issue bonds equal in amount to \$594,000.00. It estimates, however, that its earnings for the year ending August 31, 1917, will be sufficiently large to permit it to issue additional bonds in the amount of \$151,000.00.

Reference is here made to Decision No. 4279, dated April 28, 1917, in which appears a statement showing applicant's revenues and expenses for the years 1915 and 1916, also a statement showing its assets and liabilities as of December 31, 1916.

For the year ending August 1, 1917, applicant reports revenues and expenses as follows:

Operating revenues	\$1,875,116 03
Operating expenses, including taxes and insurance.....	800,521 31
Net operating revenues.....	\$1,074,594 72
Other income:	
Interest	\$16,554 27
Miscellaneous	34,525 70
Total	51,079 97
Gross income	\$1,125,674 69
Less uncollectible bills and sundries.....	4,633 17
Amount available for fixed charges.....	\$1,121,041 52

Accruals, interest, etc.:	
Bond interest -----	\$531,847 73
Other interest -----	11,594 05
Total -----	\$543,441 77
Less interest charged to construction-----	38,266 95
Net interest -----	\$505,174 82
Amortization of bond discount and expense-----	11,055 18
Total accruals -----	516,230 00
Net profit for year-----	\$604,811 52
Accrued sinking funds -----	144,999 96
Net surplus for year -----	\$459,811 56

Applicant's Exhibit No. "2" shows bonds outstanding in the following amounts:

Class of security.	Amount.
First and refunding mortgage bonds of San Joaquin Light and Power Corporation -----	\$6,768,000 00
Series "A" 6's -----	1,500,000 00
Series "B" 5's -----	2,924,000 00
Series "C" 6's -----	2,344,000 00
San Joaquin Power Company 5's-----	65,000 00
San Joaquin Light and Power Company 5's-----	2,627,000 00
Power, Transit and Light Company 5's-----	145,000 00
Bakersfield and Kern Electric Railway Company 5's-----	123,000 00
Grand total -----	\$9,728,000 00

The testimony shows that applicant contemplates to use the proceeds from the bonds for the acquisition of property, the construction, completion, extension and improvement of its facilities and the improvements of its service.

In Exhibit "3," applicant reports estimated expenditures of \$839,760.08 against which no securities have been authorized to be issued by the commission. Details were furnished the commission as to some of the estimated expenditures, but not as to others. Only after applicant has filed detailed statements of all its estimated expenditures can the commission determine the purposes for which the proceeds from the bonds shall be expended. I believe, however, that under the existing conditions the commission is justified in authorizing applicant to issue \$745,000.00 of bonds, subject to the terms and provisions of the following order.

ORDER.

San Joaquin Light and Power Corporation having applied to this commission for authority to issue \$745,000.00 of its Series "C" 6 per cent bonds due August 1, 1950, and a hearing having been held and

the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby granted authority to issue \$745,000.00 of its Series "C" 6 per cent first and refunding mortgage bonds due August 1, 1950.

The authority hereby granted is granted upon the following conditions and not otherwise:

1. The bonds hereby authorized to be issued shall be sold by applicant for cash at not less than 95 per cent of their face value plus accrued interest.

2. Of the bonds hereby authorized to be issued, applicant may at this time issue \$594,000.00 face value. The remaining \$151,000.00 face value of bonds may be issued by the applicant when permitted to do so under the terms and provisions of its first and refunding mortgage dated August 1, 1910.

3. No part of the proceeds of the bonds hereby authorized to be issued shall be expended by applicant until this commission has made its supplemental order specifying the purposes for which such proceeds shall be expended.

4. San Joaquin Light and Power Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the corporation shall make a verified report to the Railroad Commission, stating the sale or sales of said bonds during the previous month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority hereby granted to issue bonds shall not become effective until San Joaquin Light and Power Corporation has paid the fee specified in the Public Utilities Act.

6. The authority hereby granted to issue bonds shall apply only to such bonds as shall have been issued on or before February 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4603.

IN THE MATTER OF THE APPLICATION OF JOHN SMITH FOR
APPROVAL OF WHARF FRANCHISE GRANTED BY THE BOARD
OF SUPERVISORS OF THE COUNTY OF SACRAMENTO.

Application No. 3102.

Decided August 30, 1917.

J. W. S. Butler and B. F. Van Dyke, by B. F. Van Dyke, for Applicant.

BY THE COMMISSION.

OPINION.

A public hearing was conducted by Examiner Westover on the above application for approval of wharf franchise granted by the board of supervisors of Sacramento County in Ordinance No. 175, adopted July 2, 1917, to applicant to charge and collect tolls for the use of his wharf at Walnut Grove, Sacramento County, maintained on the bank of the Sacramento River.

This wharf has been maintained for many years, primarily for applicant's personal use, for shipping fruit and farm products. Through courtesy its use has been extended to applicant's neighbors and friends in the vicinity.

The wharf has been maintained at a considerable expense to applicant for a number of years, and he and those who use it feel that it should earn tolls sufficient to keep it in repair. He has therefore applied for and received from the board of supervisors a franchise for the period ending June 1, 1935, authorizing him to take and collect tolls at the rate of 1 cent per package for each package of 150 pounds or fraction thereof and an additional toll of 1 cent per package in excess of 150 pounds, which it is estimated will produce sufficient revenue to keep it in repair.

ORDER.

John Smith having applied to the commission for approval of the action of the board of supervisors of the county of Sacramento, granting to applicant the right to take tolls for the use of his wharf on the easterly bank of the Sacramento River at Walnut Grove as contained in Ordinance No. 175 of said county, adopted July 2, 1917; and a public hearing having been held thereon, and the commission being of the opinion that the application should be granted,

It is hereby ordered that said application be and the same is hereby granted.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4604.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING
THE ISSUE OF BONDS.

Application No. 2837.

Decided August 30, 1917.

THELEN, *Commissioner*.

FIRST SUPPLEMENTAL ORDER.

Whereas applicant in the above-entitled matter on August 23, 1917, filed a supplemental application for authority to pledge the bonds authorized to be issued by Decision No. 4369, dated June 2, 1917, and for authority to issue additional bonds and sell or pledge the same; and

Whereas at the hearing held on the supplemental application on August 29, 1917, applicant submitted further evidence for the purpose of justifying the issue of bonds in addition to those authorized to be issued by Decision No. 4369, dated June 2, 1917; and

Whereas it appears that there is no immediate need to pass on the supplemental application in so far as it relates to the issue of additional bonds, but that applicant at this time should be given authority to pledge the \$179,000.00 face value of bonds authorized to be issued by Decision No. 4369, dated June 2, 1917, to refund floating debt representing capital expenditures and to finance the construction and installation of extensions, additions and betterments.

It is hereby ordered that the order in Decision No. 4369, dated June 2, 1917, be and the same is hereby amended so as to permit applicant to pledge the \$179,000.00 face value of bonds referred to in subdivisions "a" and "b" of Condition One of said order to secure the payment of short-term notes, the proceeds of which shall be used for the same purposes for which the proceeds of the bonds may be expended, provided that the face value of the notes secured by said bonds shall never be less than 80 per cent of the face value of the bonds, and provided further that if required by law, applicant secure authority from the Railroad Commission to issue the notes, the payment of which is to be secured by bonds hereby authorized to be pledged.

It is further ordered that the order in Decision No. 4369, dated June 2, 1917, remain in full force and effect except as modified by this first supplemental order.

The foregoing supplemental order is hereby approved and ordered filed as the order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of August, 1917.

53-53622

DECISION No. 4605.

IN THE MATTER OF THE APPLICATION OF LA RICA WATER COMPANY FOR ORDER AUTHORIZING INCREASE OF RATES.

Application No. 2878.

Decided August 30, 1917.

BY THE COMMISSION.

ORDER OF DISMISSAL.

A public hearing having been conducted by Examiner Westover upon above application to increase rates, and it appearing at the time of the hearing that nearly all irrigators and patrons were stockholders and that negotiations were pending by which all irrigators and patrons would become stockholders and applicant's business be conducted as a mutual water company, and the commission being now advised that all irrigators and patrons have become stockholders, and that it is the desire of applicant to conduct its business as a mutual company,

It is hereby ordered that the application be and it is hereby dismissed.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4606.

COLORADO RIVER TELEPHONE COMPANY

vs.

CALIFORNIA SOUTHERN RAILROAD COMPANY, AND WESTERN UNION TELEGRAPH COMPANY.

Case No. 1005.

Decided August 30, 1917.

A railroad corporation which has constructed a telephone line for the purpose of handling such messages as are necessary in the conduct of its business as a railroad company can not engage in a general telephone business in conjunction with a telegraph company without first securing a certificate from this commission.

Defendants required to discontinue transmitting telegraph messages by telephone between Blythe and Blythe Junction and the railroad company required to discontinue receiving telegraphic messages at Blythe for transmission to other points by telephone, provided that such order shall in no way interfere with messages necessary in the conduct of its railroad business.

James O. Phillips, for Complainant.

Willis L. Morrison, for California Southern Railroad Company.

E. B. Harrington, for Western Union Telegraph Company.

BY THE COMMISSION.

OPINION.

Colorado River Telephone Company, complainant in this proceeding,

tory in Riverside County, under authority granted by the Railroad Commission in its Decision No. 3435, approved June 17, 1916, Opinions and Orders of the Railroad Commission, Vol. 10, page 349. It also owns and operates a toll line for long-distance telephone toll and telegraph purposes between the town of Blythe and Blythe Junction, purchased from Mrs. Jessie Brown under authority granted by the Railroad Commission in its Decision No. 3434, approved June 17, 1916, Opinions and Orders of the Railroad Commission, Vol. 10, page 348. Defendant, California Southern Railroad Company, operates a line of railroad between Blythe and Blythe Junction. When constructing its railroad it also built a telephone line between these points for its own use in the operation of its railroad business.

One of the conditions of the commission's order permitting Colorado River Telephone Company to operate a telephone system required that before it should operate a toll line for long-distance telephone toll and telegraph purposes between Blythe and Blythe Junction, it should first purchase from Mrs. Jessie Brown, under conditions to be approved by the commission, the toll line above referred to. Complainant has complied with this condition. Subsequent to the purchase of this line, California Southern Railroad Company has entered into an arrangement with defendant, Western Union Telegraph Company, under which the railroad company's agent at Blythe and the joint agent of California Southern and Santa Fe railroads at Blythe Junction, acting also for the telegraph company, transmit Western Union Telegraph business by telephone over the telephone line of the railroad company between Blythe and Blythe Junction. Prior to this arrangement, telegraphic business to and from Blythe was interchanged between complainant's line and Western Union at Blythe Junction, but since this arrangement between defendants, telegraphic business has been diverted to the railroad company's line.

The complainant alleges in its complaint that its line between Blythe and Blythe Junction was purchased under the assurance that its business between these points would be protected, and that the telephone line of defendant, California Southern Railroad Company, was intended to be used only for the business of the railroad company in the operation of its railroad business. It alleges further that the diversion of telegraphic business to the railroad company's line will have the effect of rendering complainant's line of no value.

The Railroad Commission is, therefore, asked to issue its order requiring defendants to discontinue transferring telegraphic messages to and from Blythe and Blythe Junction, that the telegraph company be required to deliver all telegraph messages received at Blythe Junction for Blythe to complainant, and that the railroad company discontinue receiving telephone or telegraphic messages at Blythe for

all points except that it transmit messages for its own business over its own private line.

The complaint was heard at Blythe on March 16, 1917, before Examiner Harry A. Encell, and the case submitted with permission to file briefs. Counsel for complainant and defendants having subsequently waived permission as to filing of briefs, the matter is now ready for decision.

The defendants, relying upon the provisions of section 50 of the Public Utilities Act, which prior to its amendment by chapter 120, Laws of 1917, effective July 27, 1917, did not include telegraph corporations among those corporations which are required to seek and obtain the authority of the Railroad Commission to make extensions into new territory, have taken the position that neither of them requires commission authorization to carry on a telegraphic business in the territory which complainant purports to serve. Defendants admit that they are without authority to conduct a telephone business, but maintain that they are not conducting and do not at present intend to conduct any such business. The evidence shows and the fact is admitted that telegraph instruments and operators are not employed by defendants either at Blythe or at Blythe Junction for the transmission of telegraphic messages over the railroad company's line, but that all such messages are handled at both of these points entirely by telephone. It is quite apparent that this is a telephone line and is operated as such even though it may be used in handling telegraphic business. It appears that its use for this purpose was started subsequent to the time when the commission authorized complainant to operate in this territory. It follows, therefore, that defendant, California Southern Railroad Company, is rendering telephone service to a portion of the public, to wit, Western Union Telegraph Company and its patrons without authority of the commission, in a portion of territory heretofore served by complainant.

It appears under the circumstances that complainant's petition that defendants, California Southern Railroad Company and Western Union Telegraph Company, be required to discontinue transferring telegraphic messages to and from Blythe and Blythe Junction, and that California Southern Railroad Company be required to discontinue receiving telegraphic messages at Blythe for transmission to other points, except that it be permitted to transmit messages relating to its own business over its own line, should be granted. As to complainant's prayer asking that Western Union Telegraph Company be required to deliver all telegraph messages received at Blythe Junction for Blythe to complainant, the telegraph company has stated that telegraph service at Blythe Junction is now available to complainant. The testimony shows, however, that defendants' agent at Blythe Junction was instructed, after the arrange-

ment above referred to was entered into by defendants, to turn over all business received at this point for Blythe to California Southern Railroad Company. However, the discontinuance by the railroad company of handling this business should automatically take care of this matter, and an order to this effect does not for the present appear to be necessary.

ORDER.

Complaint having been filed with the Railroad Commission by Colorado River Telephone Company, a corporation, complainant, versus California Southern Railroad Company, a corporation, and Western Union Telegraph Company, a corporation, defendants, asking that said defendants be required to discontinue the transmission of telegraphic business over defendant, California Southern Railroad Company's, line between Blythe and Blythe Junction, except that said defendant, California Southern Railroad Company, be permitted to transmit messages relating to its own business over its own line between Blythe and Blythe Junction, and a public hearing having been held, and the Railroad Commission being fully apprised in the premises,

It is hereby ordered that the defendants herein, California Southern Railroad Company and Western Union Telegraph Company, discontinue transferring telegraphic messages by telephone to and from the town of Blythe over the defendant, California Southern Railroad Company's, line between Blythe and Blythe Junction, and that defendant, California Southern Railroad Company, discontinue receiving telegraphic messages at Blythe for transmission by telephone to other points; provided, that California Southern Railroad Company is permitted to transmit messages relating to its own business and to the operation of its railroad over its own line between Blythe and Blythe Junction.

Dated at San Francisco, California, this thirtieth day of August, 1917.

DECISION No. 4607.

IN THE MATTER OF THE APPLICATION OF FRED MULROY FOR
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO
OPERATE STAGE OR TRUCK SERVICE BETWEEN BAKERSFIELD
AND TAFT.

Application No. 3091.

Decided August 30, 1917.

Applicant granted a certificate permitting the installation and operation of motor truck service between the towns of Bakersfield and Taft, provided that such

order shall not become effective until applicant shall have filed certified copies of all permits secured covering such operation.

Fred Mulroy, in propria persona.

W. C. Moran, for Wells Fargo & Company.

Mrs. R. H. Lindgren, assistant city attorney, for city of Bakersfield.

GORDON, Commissioner.

OPINION.

This is an application on behalf of Fred Mulroy for a certificate of public convenience and necessity under the provisions of section 5 of chapter 213 of the Statutes of the state of California as approved May 10, 1917.

A public hearing was held at Bakersfield on August 28, 1917; the matter was duly submitted and is now ready for decision.

The applicant proposes to operate a G. M. C. 35-horsepower motor truck with a carrying capacity of four thousand pounds between the cities of Bakersfield and Taft, all in Kern County. The schedule proposed is daily, except Sunday, leaving Taft at 8.00 a.m. for Bakersfield and returning leaving Bakersfield at 2.30 p.m. Applicant originally requested the approval of tariff authorizing the carriage of one passenger who could be accommodated on the seat used by the operator, but at the hearing of this application requested that application be amended and that application be considered only as covering an express, baggage and freight service.

Applicant also requested an amendment of tariff schedule for freight shipments including the elimination of proposed special rates for the movement of furniture. Application as amended requests authorization of the following rates:

Between Bakersfield and Taft.

Baggage.	
Trunks, each	\$1 00
Grips or valises, each	50
Freight, all classes.	
Lot shipments under 50 pounds	\$0 25
Lot shipments—51 to 100 pounds	50
Lot shipments (over 100 pounds), per 100 pounds	20
Minimum charge on lot shipments over 100 pounds	50

At the hearing of this application, applicant stated that his proposed service contemplated the receipt of baggage and freight and its delivery at all points within the incorporated limits of the cities of Bakersfield and Taft, service that is not now given except by Wells Fargo & Company on express shipments and within certain delivery limits in the above cities.

A petition was filed bearing twenty-one signatures of business men in the city of Taft stating that the proposed freight and parcel delivery would be beneficial and was thought necessary.

Although all interested parties were notified of the hearing in this matter, including two auto stage companies now operating between Bakersfield and Taft, there was no protest against the issuance of a certificate of necessity and convenience as requested by the applicant. The representative of Wells Fargo & Company stated that in his opinion the rates proposed by the applicant were too low, but offered no protest to the establishment of the proposed service.

After careful consideration of the evidence in this proceeding, I am of the opinion and find as a fact that the service proposed to be established will furnish an adequate and convenient method of transportation for baggage and freight between the cities of Bakersfield and Taft and that the application should be granted.

I recommend the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, the petition having been submitted and being now ready for decision, the Railroad Commission hereby declares that public convenience and necessity require and will require the operation by Fred Mulroy of an auto truck service between Bakersfield and Taft, county of Kern, provided that this declaration shall not become effective until the Railroad Commission has made a supplemental order herein reciting that petitioner has filed herein certified copies of permits granted by the city of Bakersfield, the city of Taft and the county of Kern, in accordance with the provisions of section 3, chapter 213, laws of 1917.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of August, 1917.

GRADE CROSSINGS.

Decision No.	Application No.	Applicant	Location	Action	Date
4224	2345	San Diego and S. F. Railway Co.	San Diego Co.	Dismissed	April 6, 1917
4229	2811	Southeastern Railway Co.	San Diego Co.	Granted	April 6, 1917
4230	2786	Los Angeles Railway Corporation	Los Angeles Co.	Granted	Mar. 6, 1917
4231	2795	Tidewater and Southern Ry. Co.	Merced Co.	Granted	April 6, 1917
4232	2825	Southern Pacific Co.	Imperial Co.	Granted	April 6, 1917
4233	2826	Southern Pacific Co.	San Luis Obispo	Granted	April 6, 1917
4237	2831	Southern Pacific Co.	Tehama Co.	Granted	April 9, 1917
4249	2847	Southern Pacific Co.	Merced Co.	Granted	April 13, 1917
4250	2843	A. T. and S. F. Railway Co.	San Bernardino Co.	Granted	April 16, 1917
4251	2844	Pacific Coast Railway Co.	Santa Barbara Co.	Granted	April 16, 1917
4252	2819	Tidewater Southern Railway	San Joaquin Co.	Granted	April 16, 1917
4255	2850	A. T. and S. F. Railway Co.	Stanislaus Co.	Granted	April 17, 1917
4256	2852	A. T. and S. F. Railway Co.	Riverside Co.	Granted	April 17, 1917
4261	2882	Pacific Electric Railway Co.	Los Angeles Co.	Granted	April 23, 1917
4262	2843	A. T. and S. F. Railway Co.	Los Angeles Co.	Granted	April 23, 1917
4263	2857	Southern Pacific Co.	Ventura Co.	Granted	April 23, 1917
4264	2859	Southern Pacific Co.	San Francisco	Granted	April 23, 1917
4265	2847	County of Ventura	Ventura Co.	Granted	April 23, 1917
4277	2849	County of Mono	Mono Co.	Granted	April 27, 1917
4281	2855	Visalia Electric Railway Co.	Tulare Co.	Granted	May 2, 1917
4285	2856	Visalia Electric Railway Co.	Tulare Co.	Granted	May 2, 1917
4283	2882	Southern Pacific Co.	Tulare Co.	Granted	May 3, 1917
4313	2894	County of Ventura	Ventura Co.	Granted	May 11, 1917
4314	2890	Minkler Southern Railway Co.	Tulare Co.	Granted	May 11, 1917
4315	2900	A. T. and S. F. Railway Co.	Fresno Co.	Granted	May 11, 1917
4316	2901	Peninsular Railway Co.	Santa Clara Co.	Granted	May 11, 1917
4317	2902	Southern Pacific Co.	Fresno Co.	Granted	May 11, 1917
4333	2918	A. T. and S. F. Railway Co.	Kings Co.	Granted	May 24, 1917
4334	2841	Pacific Electric Railway Co.	San Bernardino	Granted	May 24, 1917
4335	2843	Southern Pacific Co.	San Joaquin Co.	Granted	May 24, 1917
4339	2916	Southern Pacific Co.	Ventura Co.	Granted	May 24, 1917
4337	2935	Southern Pacific Co.	Santa Clara Co.	Granted	May 24, 1917
4338	2942	Southern Pacific Co.	Stanislaus Co.	Granted	May 24, 1917
4339	2943	Southern Pacific Co.	Tulare Co.	Granted	May 24, 1917
4345	2943	A. T. and S. F. Railway Co.	Los Angeles Co.	Granted	May 28, 1917
4346	2948	Southern Pacific Co.	Fresno Co.	Granted	May 28, 1917
4347	2950	Pacific Electric Railway Co.	Los Angeles Co.	Granted	May 28, 1917
4352	2963	County of Stanislaus	Stanislaus Co.	Granted	May 29, 1917
4355	2961	A. T. and S. F. Railway Co.	Orange Co.	Granted	May 29, 1917
4361	2960	A. T. and S. F. Railway Co.	Arceutha	Granted	June 10, 1917
4364	2943	Southern Pacific Co.	Sacramento Co.	Granted	June 2, 1917
4365	2968	Southern Pacific Co.	San Francisco	Granted	June 2, 1917
4364	2969	Southern Pacific Co.	San Luis Obispo	Granted	June 2, 1917
4371	2970	City of Richmond	Richmond	Granted	June 4, 1917
4372	2776	San Diego and S. F. Railway Co.	San Diego Co.	Granted	June 4, 1917
4389	2842	A. T. and S. F. Railway Co.	San Diego Co.	Granted	June 13, 1917
4404	2965	Pacific Electric Railway Co.	Los Angeles Co.	Granted	June 18, 1917
4405	2963	Tidewater Southern Railway Co.	Stanislaus Co.	Granted	June 18, 1917
4414	1904	County of San Bernardino	San Bernardino	Dismissed	June 20, 1917
4418	3063	Los Angeles and Salt Lake Railway	Whittier	Granted	June 22, 1917
4427	3010	Southern Pacific Co.	Sacramento Co.	Granted	June 26, 1917
4428	2965	Southern Pacific Co.	San Francisco	Granted	June 26, 1917
4429	3005	Southern Pacific Co.	Stanislaus Co.	Granted	June 26, 1917
4437	3013	A. T. and S. F. Railway Co.	Stanislaus Co.	Granted	July 2, 1917
4440	3022	Southern Pacific Co.	City of Dinuba	Granted	July 3, 1917
4448	2956	A. T. and S. F. Railway Co.	San Bernardino	Granted	July 10, 1917
4449	3014	Southern Pacific Co.	Imperial Co.	Granted	July 10, 1917
4453	2947	Southern Pacific Co.	City of Tracy	Granted	July 12, 1917

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4461 3031	Santa Maria Valley Railway.....	Santa Maria.....	Granted.....	July 16, 1917
4472 2846	County of Kern.....	Kern Co.....	Granted.....	July 21, 1917
4475 2672	Southern Pacific Co.....	Porterville.....	Granted.....	July 31, 1917
4510 3057	Nevada-California-Oregon Railway.....	Alturas.....	Granted.....	Aug. 2, 1917
4511 3058	Pacific Electric Railway Co.....	Upland.....	Granted.....	Aug. 2, 1917
4512 3060	Kings Lake Shore Railway.....	Kings Co.....	Granted.....	Aug. 2, 1917
4513 3062	Southern Pacific Co.....	Livingston.....	Granted.....	Aug. 2, 1917
4519 3034	Southern Pacific Co.....	Camphill.....	Granted.....	Aug. 6, 1917
4523 3065	Southern Pacific Co.....	Berkeley.....	Granted.....	Aug. 7, 1917
4526 3065	San Diego and S. F. Railway Co.....	San Diego Co.....	Granted.....	Aug. 10, 1917
4530 3080	Visalia Electric Railway.....	Tulare Co.....	Granted.....	Aug. 10, 1917
4531 3081	San Diego and S. F. Railway Co.....	Santee.....	Granted.....	Aug. 10, 1917
4532 3149	Southern Pacific Co.....	Emeryville.....	Granted.....	Aug. 11, 1917
4540 3161	Southern Pacific Co.....	McFarland.....	Granted.....	Aug. 14, 1917
4541 2764	Southern Pacific Co.....	Los Angeles Co.....	Granted.....	Aug. 14, 1917
4542 3165	Southern Pacific Co.....	Santa Margarita.....	Granted.....	Aug. 14, 1917
4543 3065	County of Napa.....	Napa Co.....	Granted.....	Aug. 14, 1917
4554 3123	San Francisco-Oakland T. Rys.....	Oakland.....	Granted.....	Aug. 18, 1917
4555 3124	A. T. and S. F. Railway Co.....	Pittsburg.....	Granted.....	Aug. 18, 1917
4556 3129	Southern Pacific Co.....	Bay Point.....	Granted.....	Aug. 25, 1917
4557 3142	County of San Diego.....	Linda Vista.....	Granted.....	Aug. 25, 1917
4558 3126	Pacific Electric Railway Co.....	San Bernardino.....	Granted.....	Aug. 25, 1917
4580 3130	Southern Pacific Co.....	Visalia.....	Granted.....	Aug. 25, 1917
4593 3137	County of Merced.....	Arden.....	Granted.....	Aug. 29, 1917
4599 3138	County of Merced.....	Merced.....	Granted.....	Aug. 29, 1917
4648 3149	Pacific Electric Railway Co.....	Hermosillo.....	Granted.....	July 30, 1917
4660 3153	Tidewater Southern Railway.....	Stanislaus Co.....	Granted.....	July 30, 1917
4616 3162	San Jose Railroads.....	Santa Clara Co.....	Granted.....	July 30, 1917

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